Pyne Gould Corporation Limited

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

PYNE GOULD CORPORATION LIMITED
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For the year ended 30 June 2020

PYNE GOULD CORPORATION LIMITED
COMPANY REPORT

Managing Director's Report

Overall, it has been another challenging year for Pyne Gould Corporation Limited ("PGC" or "the Company"), however good progress continues to be made toward our goal of realising significant value from all of the distressed assets acquired over the past decade, however, the Covid-19 outbreak has caused significant delays.

Consistent with our previously advised strategy, PGC remains focused on the long run success of Torchlight Fund LP ("TFLP"), in which PGC has an ownership, through direct limited partner interests, of 70.3%.

As TFLP nears maturity, PGC remains focused on exploring options to enable it to continue to participate in the growth of TFLP's largest investment, RCL, a land developer and home builder with a series of substantial residential land development projects in Australia and New Zealand.

Covid-19 related lockdowns have slowed progress with progressing a liquidity event for TFLP with Melbourne having some of the longest and most severe lockdown restrictions over the last few months. The General Partner is continuing to work on strategic options for RCL and is entering into discussions with capital partners to ensure RCL is well positioned as lockdown restrictions ease in Victoria. We don't expect this to mean nirvana but it does open up a path to growth again.

RCL

RCL's approach is to effectively manage its portfolio through the successful, timely and efficient re-zoning, construction, development and sale of each project.

In the Australian portfolio RCL continues to focus on delivery of its own built form product (turn-key apartments and townhouses) enhancing margins and returns from the existing medium density sites within the portfolio. RCL intends to also progressively introduce a component of turn-key free-standing houses as part of the sales mix within the existing residential estates to both provide access to buyers looking for completed product and capture incremental development margins from construction.

Introduction of completed product into the New Zealand portfolio is also being explored.

RCL's cashflow has been adversely impacted by Covid-19 disruption which has resulted in delays in completing works to enable settlement of pre-sold stock and also deferred the timing for new sales releases (please refer to notes 2(e)(i) and 34 for further details). Notwithstanding this disruption RCL has continued to progress planning approvals and explore yield optimisation for its existing Australian projects.

Good progress has continued to be made with RCL's largest project, Hanley's Farm in Queenstown, where it is developing in excess of 1,700 sites. Since restrictions eased in New Zealand earlier this year, site works have been progressing well and an additional 104 lots have been progressively released in 4 stages. Market conditions in Queenstown remain solid with all stock released selling quickly lifting total pre-sales to in excess of 220 lots. Additional further releases are planned for December/January..

To date, approximately 695 sites have been sold in a series of progressive releases, with around 435 sites delivered and settled. Focus remains on delivery of the balance of the stock which has already been sold.

RCL continues to look for additional acquisitions to re-stock the underlying portfolio.

As mentioned above Covid-19 related lockdowns have resulted in planned releases within the Australian projects during 2020 being deferred. Timing for releases will be driven predominantly by market conditions in Victoria.

KCR Investment

As outlined in last year's annual report, as part of the General Partner's efforts to maximise its investment and facilitate an exit for RCL, TFLP made a follow-on investment in KCR Residential REIT plc ("KCR"), a UK-based, AIM-listed residential REIT.

KCR's objective continues to be to grow the size of its residential portfolio to deliver an increase in revenue that results over time in both profitability and the ability to pay dividends.

As with RCL, KCR has faced a difficult year in the UK with Covid-19 presenting plenty of challenges in the second half of the financial year.

Managing Director’s Report (continued)

KCR Investment (continued)

The TFLP investment in KCR enabled KCR to restructure its balance sheet and refinance its portfolio to free up capital to support the restructuring of the business and enable additional investment in the existing portfolio to assist in support in driving growth from the existing asset base.

KCR also has an active focus on reducing operating costs within the business and whilst it remains cash negative it is working towards achieving a break even position from a combination of ongoing cost management and enhanced operational performance from the existing assets.

KCR is part way through the transition process to create a stable platform that can be successfully scaled-up. Solid progress has been made since the TFLP transaction completed in August 2019 and whilst the business continues to be cashflow negative, it is so at a significantly reduced rate. The gap to break-even is the smallest since KCR’s admission to AIM.

Whilst it is too early to assess the impact of Covid-19 on KCR, to date Covid-19 has not materially impacted KCR’s operations. There has been minimal impact on rent collections to date with a nominal level of arrears to date. Vacancy level across the portfolio remains low with recent re-lettings in the portfolio suggesting solid underlying demand in the catchments KCR operates in.

We look forward to KCR continuing to improve its underlying operating performance.

Final Comment

We are well advanced with our strategy of building a long-term, sustainable business from distressed assets and expect to reward our shareholders for their patience as the investment strategy reaches maturity.

Covid-19 has created additional unplanned challenges for the Group however we are well placed to continue proactively dealing with these.

Fundamentals for TFLP and its core underlying principal investments remain sound and we believe they are well placed to deliver substantial growth in the coming years.

George Kerr
Managing Director
Date: 3 December 2020

Directors' Report

PGC recorded a Net Loss attributable to security holders of £0.11 million for the year to 30 June 2020 (compared with a Net Loss of £3.39 million for the year to 30 June 2019).

After unfavourable foreign currency movements in foreign currency translation, PGC recorded a Total Comprehensive Loss of £1.58 million prior to adjustment for non-controlling interests.

Total Comprehensive Loss attributable to PGC shareholders was £1.23 million (compared with a Total Comprehensive Loss of £2.51 million for the year to 30 June 2019).

Net Assets attributable to security holders decreased to £42.39 million (down from £44.36 million last year). Deterioration predominantly related to the impact of the unfavourable foreign currency movement.

On a per share basis this was 2.10% lower, falling from 21.38 pence per share last year to 20.94 pence per share (after allowing for non-controlling interests and other comprehensive income).

This has been a difficult year with Covid-19 presenting plenty of challenges in the second half of the financial year and continuing to do so for PGC's largest asset, TFLP and its investments. It is too early to ascertain what the overall impact on TFLP and its investments will be, however the impact and risks to date have been considered and are reflected in the accounts. Refer to notes 2(e)(i) and 34 for further detail.

Operating Performance

On a consolidated basis (before allowing for non-controlling interests), the result for the 2020 financial year was a Loss after tax of £0.41 million. This compares with a Loss after tax of £4.62 million for the same period last year.

After allowing for foreign exchange translation movements, the consolidated Total Comprehensive Loss for the 2020 financial year was £1.58 million. This compares with a consolidated Total Comprehensive Loss of £3.62 million for the 2019 financial year.

Following adjustment for non-controlling interests, the Total Comprehensive Loss attributable to PGC shareholders was £1.23 million (compared to a Total Comprehensive Loss of £2.51 million for the same period last year).

The improved operational performance was driven by improved operating margins and a reduction in financing costs within the RCL business. Margins will continue to fluctuate and will be impacted by a mix of product being settled and contribution from turnkey product.

Statement of Financial Position

At 30 June 2020, PGC had a deficiency in Net Current Assets of £21.06 million (down from a surplus of £53.38 million last year). The deterioration in net current assets is driven by the shift of payment obligations relating to a maturing debt facility and the payment to the Petitioners for the redemption of their interest in Torchlight Fund LP from non-current to current liabilities.

Total Group Assets held were £122.28 million (down from £131.70 million in the prior financial year) with total equity of £53.95 million (down from £56.27 million in the prior financial year). Total Group assets reduced in line with conversion of inventory to cash with net cashflows used primarily to reduce debt.

After allowing for non-controlling interests of £11.56 million (down from £11.91 million in the prior year), net equity attributable to security holders fell to £42.39 million (down from £44.36 million).

Long-Term Focus

Consistent with our previously advised strategy, PGC remains focused on the long run success of TFLP in which PGC has an ownership through direct limited partner interests of 70.3%.

The life of TFLP has been extended until 30 November 2021. Principal near term focus of the General Partner is on ensuring liquidity is available to meet the payment of AUD$25.5 million (£14.2 million) due to the Petitioners for redemption of their limited partnership interests in January 2021.

In order to satisfy the redemption payment, the General Partner is running a multi-track process to explore options which include a General Partner led restructure of TFLP to sell the investment in RCL to a new partnership structure to allow RCL value optimisation to continue.

Directors' Report (continued)

Long-Term Focus (continued)

PGC continues to see significant upside in the RCL investment and in the event of a sale has committed to roll its investment into any new structure to enable ongoing participation in this asset. However, the process is still in the early stages and no formal offers have been made or accepted to date. Please refer to notes 2(e)(i) and 34 for further details.

The long-term strategy of exiting non-core assets and building a sustainable long-term business from distressed assets remains unchanged.

Our near-term focus with the remaining non-core assets remains optimising value and exiting these assets, including the realisation of the outstanding receivable from the sale in 2013 of Perpetual Trust Limited ("PTL"). This, in our view, remains recoverable. We had hoped that litigation could be avoided, but this has not been possible.

As previously announced, PGC has lodged proceedings in the Auckland High Court against Bath Street Capital ("BSC") and Mr Barnes seeking damages of not less than NZD22 million, together with interest and costs. The claim concerns the sale in 2013 by PGC to BSC (then called Coulthard Barnes Capital Ltd) of PGC's shareholding in PTL. The amount of the claim represents unpaid consideration in respect of carry rights that were vested in PGC.

This matter was due to be heard in the Auckland High Court in February 2021, however due to Covid-19 related border closures and the impact this has had on trial preparations, this matter has been deferred and is now listed for February 2022.

This matter remains ongoing and consistent with our approach we will only comment on this as outcomes occur.

We are continuing to explore development options for our residential project located within the Bethlehem suburb of Tauranga City and actively progress planning works for this site. There is considerable value to be unlocked by optimising planning outcomes and developing this site out over time.

The strategy of building a long-term sustainable business from distressed assets remains unchanged. Continuing to support and build value within TFLP and optimising value from the realisation of non-core assets are key to this. We remain confident of our ability to successfully execute this strategy and value to our shareholders.

Share Buyback

Capital management remains an ongoing focus for the Board and we expect part of the proceeds generated from the divestment of non-core assets to be used to facilitate buyback of shares on market.

During the year 5 million shares were bought back at NZD 0.29c (£0.15p) which was value accretive for shareholders.

PGC shares trade at a considerable discount to NAV and buying them back is consistent with our value creation strategy.

Covid-19

The Covid-19 outbreak was declared a pandemic by the World Health Organisation in March 2020. The outbreak and the response of Governments in dealing with the pandemic is interfering with general activity levels within the community, the economy and the operations of the Group. The scale and duration of these developments remains uncertain as at the date of this report.

The Covid-19 pandemic is an ongoing situation and as such there is a degree of uncertainty involved when assessing the financial impact that the pandemic will ultimately have on the Group, however the Directors continue to monitor the situation closely.

For and on behalf of the Directors

Russell Naylor
Director
Date: 3 December 2020

PYNE GOULD CORPORATION LIMITED
BOARD OF DIRECTORS

GEORGE KERR B Com

Non-Independent Director
George is a sophisticated private equity investor with a successful 25-year record in Australasia and the United Kingdom.

He is chairman of Australasian Equity Partners, the cornerstone shareholder in PGC.

George was appointed to the Board of PGC in August 2008 and has been the Group's Managing Director since April 2012. He is also chairman of PGC's Torchlight Group.

RUSSELL NAYLOR

Non-Independent Director
Russell Naylor has an extensive background in banking and finance and is the principal of Naylor Partners, a boutique Sydney-based Corporate Advisory business. Russell is an Executive Director and Investment Committee Member of Torchlight and is a resident of Australia.

Russell was appointed to the PGC Board on 14 February 2012 and is a member of the Audit and Risk Committee.

NOEL KIRKWOOD BAgri. Com

Non-Independent Director
In 2010 Noel joined Real Estate Credit Limited, a PGC subsidiary, where his skills were employed to unlock value from the assets held in the former MARAC bad bank. Noel holds a B. Agr. Com (Economics) from Lincoln University. A New Zealand resident with over 30 years' experience in banking and finance, he has held senior credit and lending roles covering rural, business and property transactions and has extensive experience in the work out of distressed property assets.

Noel Kirkwood was appointed to the PGC Board on 27 August 2014.

MICHELLE SMITH M. Com (Hons), ICAEW

Independent Director
Michelle Smith is a Chartered Accountant with over 30 years' experience in Investment Banking and Asset Management in Europe.

Michelle is the COO of Affirmative Investment Management Partners Limited, a fixed income impact investment management start up company, based in London.

She trained as a chartered accountant with Ernst & Young, London and worked with Goldman Sachs in London for over 12 years. She has expertise in operational risk, compliance and regulatory risk, processes and controls across complex product lines in a highly control conscious and regulated environment.

Michelle has served as a non-executive director on several boards since 2007, ranging from Fund Management and Insurance to Retail Banking, Mining and Biofuels.

Michelle was appointed to the PGC Board on 4 November 2014 and is Chair of the Audit and Risk Committee.

PAUL DUDLEY BSc (Hons), FCA

Independent Director
Paul Dudley is a Fellow of the Chartered Institute of Accountants of England and Wales and is a Member of the UK's Chartered Institute of Securities and Investment. He co-founded HD Capital Partners in 2010, a corporate advisory business that is authorised and regulated by the UK's Financial Conduct Authority. Paul has acted as a corporate finance adviser on numerous flotations, fundraisings and provided advice on takeovers and other transactions in the private and public arena.

Earlier in his career, Paul was seconded to the listing department of the London Stock Exchange and he also worked at a venture capital investment firm, where he advised on investment into emerging growth companies. He began his career at PricewaterhouseCoopers.

Paul is an Independent Director of PGC, based in the United Kingdom.

Paul was appointed to the PGC Board on 23 May 2016 and is a member of the Audit and Risk Committee.

PYNE GOULD CORPORATION LIMITED
DIRECTORS’ RESPONSIBILITY STATEMENT

The Directors are responsible for preparing the Annual Report and the Consolidated Financial Statements in accordance with applicable law and regulations.

The Companies (Guernsey) Law, 2008 requires the directors to prepare consolidated financial statements for each financial year. Under that law they have elected to prepare consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") and applicable law.

The consolidated financial statements are required by law to give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.

In preparing these Consolidated Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of IFRS used in the preparation of consolidated financial statements;
- state whether applicable IFRS have been followed subject to any material departures disclosed in the consolidated financial statements; and
- prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the consolidated financial statements comply with The Companies (Guernsey) Law, 2008. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets

So far as the Directors are aware, there is no relevant audit information of which the Company’s auditor is unaware, having taken all the steps the Directors ought to have taken to make themselves aware of any relevant audit information and to establish that the Company’s auditor is aware of that information.

The Board of Directors of Pyne Gould Corporation Limited authorised the Consolidated Financial Statements set out on pages 17 to 66 for issue on 3 December 2020.

For and on behalf of the Board

Russell Naylor
Director

George Kerr
Managing Director

Independent auditor's report

To the members of Pyne Gould Corporation Limited

Opinion

We have audited the Consolidated Financial Statements of Pyne Gould Corporation Limited (the 'Parent Company') and its subsidiaries (together, the 'Group') for the year ended 30 June 2020, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows and notes to the Consolidated Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRSs') as issued by the International Accounting Standards Board ('IASB').

In our opinion, the consolidated financial statements:

- give a true and fair view of the state of the Group's affairs as at 30 June 2020 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as issued by the IASB; and
- comply with The Companies (Guernsey) Law, 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the Consolidated Financial Statements' section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the Consolidated Financial Statements in Guernsey, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 2(i) to the Consolidated Financial Statements which states that Covid-19 disruption has adversely impacted the Group's financial performance for the year and liquidity. The Group is currently in discussions with its principal financier regarding additional financing and refinancing arrangements to increase working capital funding, to refinance maturing debt facility and to pay the redemption amount due to the Petitioners in respect of the Conspiracy Proceedings. Whilst the Directors believe that the Group will be successful in achieving these outcomes, there is a material uncertainty regarding the timing of these events, which cast significant doubt over the ability of the Group to continue as a going concern. The Consolidated Financial Statements do not include adjustments that might result from the outcome of these uncertainties.

We describe below how our audit responded to the risk relating to going concern:

(i) The audit engagement leader increased his time directing and supervising the audit procedures on going concern;

(ii) We assessed the determination made by the Board of Directors that the Group is a going concern and the appropriateness of the Consolidated Financial Statements to be prepared on a going concern basis and reviewed if management's assessment has considered the impact of Covid-19;

(iii) We held discussions with Management/Board of Directors to assess the reasonableness of their plan to ascertain the continuous going concern status of the Group and obtained corroborative evidence to support their assessment;

(iv) We reviewed the work done by the Component auditors on going concern to assess the reasonableness of the components' plans and if these support the going concern assessment of the Group;

(v) We obtained the cash flow forecasts and sensitivities prepared by Management and tested for arithmetical accuracy of the models including re-performing the covenant tests therein;

(vi) We challenged the appropriateness of Management's forecasts by assessing historical forecasting accuracy, challenging Management's consideration of downside sensitivity analysis, including Management's scenario to reflect its expectation of the impact of Covid-19, timing of realising assets, the potential impact on the ability of the Group to meet its scheduled payments and other financial obligations maturing within the next 12 months from authorisation of the Consolidated Financial Statements, and applying further sensitivities to understand the impact on liquidity of the Company; and

(vii) We assessed the disclosures in the Annual Report and Consolidated Financial Statements relating to going concern, including the material uncertainties, to ensure they were fair, balanced and understandable and in compliance with International Accounting Standard 1.

Our opinion is not modified in respect of this matter.

Independent auditor's report (continued)

To the members of Pyne Gould Corporation Limited

Emphasis of matter - Valuation of investments

We draw your attention to note 26 to the Consolidated Financial Statements, which describes the basis of the fair value ascribed to the level 3 financial assets and the inherent uncertainty in determining the fair value accurately due to the timing and the range of possible outcomes of any realisation between the reported fair value of the assets and ultimate recoverable amount which may be different and such differences could be material.

Our opinion is not modified in respect of this matter.

Emphasis of matter - The impact of Covid-19 and other subsequent events

We draw your attention to note 34 to the Consolidated Financial Statements, which describes the impact of Covid-19 during the financial year and subsequent to end of the reporting period on the operations of the Group and its liquidity.

Our opinion is not qualified in respect of this matter.

Conclusions relating to going concern

Aside from the impact of the matters disclosed in the 'Material uncertainty related to going concern section,' paragraph we have nothing to report in respect of the following information in the annual report, in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the consolidated financial statements is not appropriate; or
- the directors have not disclosed in the Consolidated Financial Statements any identified material uncertainties that may cast significant doubt about the Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the Consolidated Financial Statements are authorised for issue.

Overview of our audit approach

Key audit matters	• Recognition of revenue from sale of developed land; • Valuation of inventories comprising land held for resale; • Valuation of financial instruments carried at fair value (Investment: Bath Street Capital (BSC) receivable); and • Valuation of derivative financial instruments (East Wanaka Call Option).
Audit scope	• We have audited the Consolidated Financial Statements of the Group for the year ended 30 June 2020.
Materiality	• Overall materiality of £1.22 million (2019: £1.32 million) which represents 1% (2019: 1%) of the Group's total assets.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements of the current year. In addition to the matters described in the 'Material Uncertainty Related to Going Concern' section, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Key Audit Matter	How the matter was addressed in the audit
Recognition of revenue from sale of developed land (2020: £54.95 million, 2019: £67.60 million) **The Group's revenue for the year ended 30 June 2020 was mainly revenue from sale of developed land.** There is a risk that the revenue may be misstated due to improper revenue recognition and / or fraud. *Refer to the Accounting policies in Note 3(g) of the Consolidated Financial Statements (page 29)*	Our audit work included, but was not limited to: • Updated our understanding of the Group's revenue recognition processes in relation to revenue from sale of developed land and assessing the adequacy of the relevant controls in place to prevent and detect fraud and errors in revenue recognition by performing walkthrough tests; • Assessed whether the Group's revenue recognition policy is in accordance with IFRS and applied consistently; • Performed analytical procedures on revenue recognised from the sale of developed land to identify any inconsistencies against expected levels based on our knowledge of business gathered in the course of audit; • On a sample basis, we agreed revenue recorded in the general ledger to supporting documentation, such as sale and purchase agreement, settlement statements and settlement payments to bank statements, and recalculated the revenue per the general ledger in accordance with the sale and purchase agreement; • On a sample basis, tested revenue items that occurred both sides of year-end and ensuring that these transactions were recorded in the correct period; • Reviewed the roll forward of the revenue recognised for the period 31 March 2020 to 30 June 2020 and ascertaining that all material transactions are duly supported; and • Held fraud discussion with Management to identify any evidence of fraud or fraud related matters and reviewed a sample of journal entries to address the risk of management override. **Key observations** We reported to the Audit Committee that overall there were no material matters arising from our audit work on the recognition of revenue from the sale of developed land that we wished to bring to their attention.

Key Audit Matter	How the matter was addressed in the audit
Valuation of inventories (2020: £87.24 million, 2019: £88.64 million) comprising land held for resale As at 30 June 2020, the Group’s inventories comprised a significant component (71%) (2019: 67%) of the Group’s total assets. There is a risk that inventories may not be stated at lower of cost and net realisable value. *Refer to the Accounting policies in Note 3(l) of the Consolidated Financial Statements (page 30)*	Our audit work included, but was not limited to: • Updated our understanding of the processes, policies and methodologies, and controls in relation to the valuation and measurement of inventory and confirmed our understanding by performing walkthrough tests; • Assessed whether the valuation of inventory accounting policy of the Group is in line with the requirements of IFRS and consistently applied; • Obtained the inventory valuation schedule and on a sample basis, assessed whether inventory is valued at the lower of cost or net realisable value at year end by performing the following procedures: **Inventory valued at NRV** ○ Obtained and inspected the independent appraisals regarding inventory, and supporting data to assess whether the data used is appropriate and relevant, and discussed these with management to evaluate whether the net realisable value of inventory is reasonably stated, challenging the assumptions made by management; ○ Vouched valuation inputs that do not require specialist knowledge to independent sources and tested the arithmetical accuracy of the calculations; ○ Engaged Grant Thornton United Kingdom and GT Australia real estate valuation specialists to: - Use their knowledge of the market to assess and corroborate management’s market related judgements and valuation inputs (i.e. discount rates, recent relevant transaction and comparable data, rental PSF, selling price PSF and buildable square foot) by reference to comparable transactions, and independently compiled databases/indices; - Assist us to determine whether the methodologies used to value inventories were consistent with methods usually used by market participants for similar types of inventories; and - Assist us in determining whether the Group’s specialists were appropriately qualified and independent. **Inventory valued at cost** ○ Obtained the detail cost break down and agree the transactions to supporting documents (i.e. agreements and invoices); and ○ For transactions close to year end, determine if the transactions have been recorded in the correct period. **Key observations** We reported to the Audit Committee that overall there were no material matters arising from our audit work on the valuation of inventory.

Key Audit Matter	How the matter was addressed in the audit

Valuation of financial assets carried at fair value through profit or loss – Perpetual Trust Limited (PTL) Receivable (2020: £8.74 million, 2019: £8.77 million) and Derivative financial instrument – East Wanaka (2020: £1.8 million, 2019: £2.1 million)

As at 30 June 2020, the Group had financial assets carried at fair value through profit or loss which are not quoted or traded on a recognised exchange and valued using different valuation techniques and use of unobservable inputs.

The valuation is subjective, with a high level of judgement and estimation linked to the determination of the values with limited market information available.

As a result, there is a risk of an inappropriate valuation model being applied, together with the risk of inappropriate inputs to the model/calculation being selected.

Refer to Note 2(e), Note 3(n) and Note 26 of the Consolidated Financial Statements (page 23, page 31 and page 58, respectively)

Our audit work included, but was not limited to:

PTL Receivable

- Updated our understanding of the Group's processes, policies and methodologies in relation to the valuation and measurement of the PTL receivable and confirmed our understanding by performing walkthrough tests;
- Updated our understanding of the Group's processes, policies and methodologies in relation to the valuation and measurement of the PTL receivable and confirmed our understanding by performing walkthrough tests;
    - Use their knowledge of the market to assess and corroborate management's market related judgements and valuation inputs (i.e. discount rates, probability outcome and timing) by reference to comparable transactions, and independently compiled databases/indices;
    - Assist us to determine whether the methodology used to value the PTL receivable was consistent with methods usually used by market participants for similar types of assets; and
    - Assist us in determining whether the Group's specialists were appropriately qualified and independent.
- Obtained confirmation from legal counsel as to the status of the case/collectability of the balance.

Derivative financial instrument - East Wanaka

- Updated our understanding of the Group's processes, policies and methodologies in relation to the valuation and measurement of the East Wanaka option and confirmed our understanding by performing walkthrough tests;
- Engaged Grant Thornton US Corporate Value Consulting Team to:
    - Use their knowledge of the market to assess and corroborate management's market related judgements and valuation inputs (i.e. future value of lots, exercise prices, timing of lot sales) by reference to comparable transactions, and independently compiled databases/indices;
    - Assist us to determine whether the methodology used to value the call option was consistent with methods usually used by market participants for similar types of assets; and
    - Assist us in determining whether the Group's specialists were appropriately qualified and independent.
- To determine any significant changes on the valuation as at 31 March 2020, we performed roll-forward procedures, including discussions with Grant Thornton US - Corporate Value Consulting Team, to 30 June 2020 and checked for any events/conditions during the same period that might have had a significant impact on the valuation as at year end; and
- Assessed the Group's disclosures in relation to the use of estimates and judgements regarding the valuation of the financial assets, and the valuation policies adopted and fair value disclosures for compliance with IFRS.

Key observations

We reported to the Audit Committee that overall there were no material matters arising from our audit work on the valuation of the PTL receivable and East Wanaka derivative.

Independent auditor’s report (continued)

To the members of Pyne Gould Corporation Limited

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Group. This enables us to form an opinion on the Consolidated Financial Statements. We consider size, risk profile, the organisation of the Group and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

“Materiality” is the magnitude of omissions or misstatements that, individually or in aggregate, could reasonably be expected to influence the economic decisions of the users of the Consolidated Financial Statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined planning materiality for the Group to be £1.22 million (2019: £1.32 million), which is 1% (2019: 1%) of the Group’s total assets. This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures. We used total assets as a basis for determining planning materiality because the Group’s primary performance measures for internal and external reporting are based on total assets as we consider it is the measure most relevant to the stakeholders of the Group.

Performance materiality

“Performance materiality” is the application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group’s overall control environment, our judgement was that overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Group should be 70% of materiality, being £856k (2019: 75%. of materiality, namely £990k). The decrease performance materiality was due to increase in assessed risk in view of a number of areas requiring audit adjustments noted in prior year. Our objective in adopting this approach was to ensure that total uncorrected and undetected audit differences in the Consolidated Financial Statements did not exceed our materiality level.

Reporting threshold

“Reporting threshold” is an amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Directors that we would report to them all audit differences in excess of £61k (2019: £66k) which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluated any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the Annual Report, other than the Consolidated Financial Statements and our auditor’s report thereon. The Directors are responsible for the other information.

Our opinion on the Consolidated Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Consolidated Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Consolidated Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Consolidated Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report (continued)

To the members of Pyne Gould Corporation Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which The Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the Group; or
- the consolidated financial statements are not in agreement with the accounting records; or
- we have not obtained all the information and explanations, which to the best of our knowledge and belief, are necessary for the purposes of our audit.

Responsibilities of directors for the consolidated financial statements

As explained more fully in the 'Directors' Responsibility Statement' set out on page 9, the Directors are responsible for the preparation of the Consolidated Financial Statements which give a true and fair view in accordance with IFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Section 262 of The Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and its members as a body, for our audit work, for this report, or for the opinions we have formed

Grant Thornton Limited
Chartered Accountants
PO Box 313
Lefebvre House
Lefebvre Street
St Peter Port
Guernsey
GY1 3TF

Date: 4 December 2020

PYNE GOULD CORPORATION LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2020

	Note	2020 £000	2019 £000
Revenue from land development and resale	4	54,952	67,604
Cost of land development sales	17	(40,172)	(53,533)
Net revenue from land development and resale		**14,780**	**14,071**
Interest revenue	5	731	442
Interest expense	5	(7,768)	(9,578)
Net finance costs		**(7,037)**	**(9,136)**
Dividend revenue	6	-	88
Other investment losses	6	(1,500)	(1,837)
Other revenue	6	1,553	1,698
Total investment losses and other revenue		**53**	**(51)**
Gross operating profit		**7,796**	**4,884**
Selling and administration expenses	7	(8,832)	(8,332)
Foreign exchange gains/(losses)		213	(49)
Impaired asset expense	8	(536)	(778)
Net operating loss before income tax		**(1,359)**	**(4,275)**
Income tax credit/(charge)	10	948	(347)
Loss for the year after tax		**(411)**	**(4,622)**
Other comprehensive income/(loss)			
Items that will be reclassified subsequently to profit or loss when specific conditions are met			
Foreign currency adjustment on translation to presentation currency		(1,170)	1,001
Total other comprehensive (loss)/income		**(1,170)**	**1,001**
Total comprehensive loss for the year		**(1,581)**	**(3,621)**
Loss attributable to:			
Owners of the Company		(113)	(3,390)
Non-controlling interests	22	(298)	(1,232)
Loss for the year		**(411)**	**(4,622)**
Total comprehensive loss attributable to:			
Owners of the Company		(1,234)	(2,514)
Non-controlling interests	22	(347)	(1,107)
Total comprehensive loss for the year		**(1,581)**	**(3,621)**
Loss per share		**Pence**	**Pence**
Basic and diluted loss per share	14	(0.06)	(1.63)
Basic and diluted loss per share – continuing operations	14	(0.06)	(1.63)

The notes on pages 22 to 66 are an integral part of these Consolidated Financial Statements.

PYNE GOULD CORPORATION LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2020

	Attributable to owners of the Company						
2019	**Share Capital (see note 15) £000**	**Foreign Currency Translation Reserve £000**	**Accumulated Losses £000**	**Available for Sale reserve £000**	**Non-controlling interests acquisition reserve £000**	**Non-controlling interests (see note 22) £000**	**Total Equity £000**
Balance at 1 July 2018, as reported	**151,940**	**21,184**	**(127,650)**	**(2,881)**	**(837)**	**32,464**	**74,220**
Adjustment from the adoption of IFRS 9 – Reclassification of brought forward losses on available for sale asset	-	-	(2,881)	2,881	-	-	-
Balance at 1 July 2018, as restated	**151,940**	**21,184**	**(130,531)**	**-**	**(837)**	**32,464**	**74,220**
Total comprehensive loss for the year							
Loss for the year	-	-	(3,390)	-	-	(1,232)	(4,622)
Other comprehensive income							
Foreign currency adjustment on translation to presentation currency	-	876	-	-	-	125	1,001
Total comprehensive loss for the year	**-**	**876**	**(3,390)**	**-**	**-**	**(1,107)**	**(3,621)**
Transactions with owners							
NCI acquisitions during the year	-	-	-	-	5,122	(19,449)	(14,327)
Total transactions with owners	**-**	**-**	**-**	**-**	**5,122**	**(19,449)**	**(14,327)**
Balance at 30 June 2019	**151,940**	**22,060**	**(133,921)**	**-**	**4,285**	**11,908**	**56,272**

The notes on pages 22 to 66 are an integral part of these Consolidated Financial Statements.

PYNE GOULD CORPORATION LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2020

	Attributable to owners of the Company					
2020	**Share Capital (see note 15) £000**	**Foreign Currency Translation Reserve £000**	**Accumulated Losses £000**	**Non-controlling interests acquisition reserve £000**	**Non-controlling interests (see note 22) £000**	**Total Equity £000**
Balance at 1 July 2019	**151,940**	**22,060**	**(133,921)**	**4,285**	**11,908**	**56,272**
Total comprehensive loss for the year						
Loss for the year	-	-	(113)	-	(298)	(411)
Other comprehensive loss						
Foreign currency adjustment on translation to presentation currency	-	**(1,121)**	-	-	(49)	(1,170)
Total comprehensive loss for the year	**-**	**(1,121)**	**(113)**	**-**	**(347)**	**(1,581)**
Transactions with owners						
Share buy-back	(743)	-	-	-	-	(743)
Total transactions with owners	**(743)**	**-**	**-**	**-**	-	**(743)**
Balance at 30 June 2020	**151,197**	**20,939**	**(134,034)**	**4,285**	**11,561**	**53,948**

The notes on pages 22 to 66 are an integral part of these Consolidated Financial Statements.

PYNE GOULD CORPORATION LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2020

	Note	2020 £000	2019 £000
ASSETS			
Current assets			
Cash in bank		7,253	15,096
Finance receivables	16	706	672
Trade and other receivables	18	2,915	5,378
Investments – Fair value through profit or loss	19	-	144
Investments – Loans and receivables at amortised cost	21	693	937
Inventories	17	11,343	37,588
Prepayments		113	147
Total current assets		**23,023**	**59,962**
Non-current assets			
Inventories	17	75,899	51,051
Investments – Fair value through profit or loss	19	16,672	14,020
Investments – Derivative financial instruments	20	1,849	2,119
Investments – Loans and receivables at amortised cost	21	1,583	1,606
Advances to related parties	25	3,113	2,795
Property, plant and equipment		136	145
Total non-current assets		**99,252**	**71,736**
Total assets		**122,275**	**131,698**
EQUITY AND LIABILITIES			
LIABILITIES			
Current liabilities			
Borrowings	23	26,862	617
Settlement payable re acquisition of non-controlling interests	9	14,219	-
Trade and other payables	24	3,000	5,962
Total current liabilities		**44,081**	**6,579**
Non-current liabilities			
Borrowings	23	23,236	52,758
Settlement payable re acquisition of non-controlling interests	9	-	14,103
Deferred tax liability	11	1,010	1,986
Total non-current liabilities		**24,246**	**68,847**
Total liabilities		**68,327**	**75,426**
EQUITY			
Share capital	15	151,197	151,940
Foreign currency translation reserve		20,939	22,060
Accumulated losses		(134,034)	(133,921)
Non-controlling interests acquisition reserve		4,285	4,285
Total equity – attributable to the owners of the Company		**42,387**	**44,364**
Non-controlling interests	22	**11,561**	**11,908**
Total equity		**53,948**	**56,272**
Total equity and liabilities		**122,275**	**131,698**
Net assets per share (pence)	14	20.94	21.38

The Board of Directors of Pyne Gould Corporation Limited authorised the Consolidated Financial Statements set out on pages 17 to 66 for issue on 3 December 2020.

Russell Naylor
Director

George Kerr
Managing Director

The notes on pages 22 to 66 are an integral part of these Consolidated Financial Statements.

PYNE GOULD CORPORATION LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2020

	Note	2020 £000	2019 £000
Cash flows from operating activities			
Interest received		275	215
Rental revenue		10	10
Dividend revenue		-	88
Proceeds from sale of inventories		54,952	67,585
Fees and other revenue received		1,543	1,688
Total cash provided from operating activities		**56,780**	**69,586**
Payments to suppliers and employees		(7,211)	(11,697)
Development costs of inventories		(38,718)	(43,628)
Total cash applied to operating activities		**(45,929)**	**(55,325)**
Net cash flows from operating activities	12	**10,851**	**14,261**
Cash flows from investing activities			
Movement in finance receivables		(49)	376
Proceeds from disposal of investments		108	-
Proceeds of repayment of loans from related parties		10	20
Total cash provided from investing activities		**69**	**396**
Acquisition of property, plant and equipment		-	(44)
Increase in other investments		(4,050)	-
Increase in loan advances		-	(1,578)
Increase in advances to other related parties		(57)	(100)
Total cash applied to investing activities		**(4,107)**	**(1,722)**
Net cash flows applied to investing activities		**(4,038)**	**(1,326)**
Cash flows from financing activities			
Increase in borrowings	13	30,800	5,292
Total cash provided from financing activities		**30,800**	**5,292**
Decrease in borrowings	13	(43,709)	(18,791)
Total cash applied to financing activities		**(43,709)**	**(18,791)**
Net cash flows applied to financing activities		**(12,909)**	**(13,499)**
Net decrease in cash in bank		**(6,096)**	**(564)**
Foreign currency adjustment on translation of cash balances to presentation currency		(1,747)	2,106
Opening cash in bank		15,096	13,554
Closing cash in bank		**7,253**	**15,096**
Represented by:			
Cash in bank		7,253	15,096
		7,253	15,096

The notes on pages 22 to 66 are an integral part of these Consolidated Financial Statements.

1. Reporting Entity

Pyne Gould Corporation Limited is a Guernsey-domiciled company. The financial statements presented are the Consolidated Annual Financial Statements comprising Pyne Gould Corporation Limited ("the Company") and its subsidiaries (see note 9) (together "the Group").

Entities within the Group offer financial and asset management services and invest in a portfolio of financial and real estate assets.

On 12 February 2014, the Company was deregistered as a New Zealand company (its original location of incorporation) and re-registered as a Guernsey-domiciled company. On 20 November 2018, the Company delisted from the New Zealand Stock Exchange ("NZX") and listed on the Official List of The International Stock Exchange ("TISE") on 21 November 2018. Following its delisting from the NZX, the Company was removed from the New Zealand Companies Register on 10 June 2019. The registered office address of the Company is Sarnia House, Le Truchot, St Peter Port, Guernsey, GY1 1GR.

These Consolidated Financial Statements were authorised by the Directors for issue on 3 December 2020.

2. Basis of Preparation

(a) Statement of compliance

These Consolidated Financial Statements, including comparative figures, are in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

As a Guernsey domiciled company, the Consolidated Financial Statements also comply with the legal and regulatory requirements of The Companies (Guernsey) Law, 2008, and have been prepared under the assumption that the Group operates as a going concern.

(b) Basis of measurement

The Consolidated Financial Statements have been prepared on the basis of historical cost, except for assets held for sale recorded at the lower of cost or fair value less costs to sell, loans and advances carried at amortised cost and financial assets at fair value through profit or loss.

(c) Functional currency

The Board of Directors ("Board" or "Directors") considers New Zealand dollars ("NZD") to be the functional currency of the Company, as it is the currency in which capital is raised and returned. In addition, all equity related transactions (including dividends) are settled in NZD. Whilst the Group's operations are conducted in multiple currencies, historically the functional currency has been NZD and for this financial year the Directors' have determined the underlying transactions, events and conditions have not changed from the historic functional currency position of NZD. For further details on the functional currency, see note 2(e)(ii).

(d) Presentation currency

Due to the migration of the Company from New Zealand to Guernsey, the listing on TISE and the intention, in due course, to list on the London Stock Exchange, although the process to list on the London Stock Exchange has not started, the Board agreed the presentation currency of these Consolidated Financial Statements should be British Pound Sterling. The figures in the Consolidated Financial Statements and related notes have been translated from New Zealand dollars and from Australian Dollars ("AUD") to British Pound Sterling ("GBP" or "£") using the procedures outlined below:

- Assets and liabilities have been translated into GBP using the closing rates of exchange applicable at the relevant reporting date. As at 30 June 2020 the rates applied were NZD1.00 to GBP0.42146 and AUD1.00 to GBP0.55761 (30 June 2019: NZD1.00 to GBP0.52904, AUD1.00 to GBP0.55305);
- Revenue and expenses, including any other comprehensive income, have been translated into GBP at average rates of exchange for the relevant accounting year. For the year ended 30 June 2020 the average rates applied were NZD1.00 to GBP0.50421 and AUD1.00 to GBP0.53281 (30 June 2019: NZD1.00 to GBP0.51962 and AUD1.00 to GBP0.55299);

2. Basis of Preparation (continued)

(d) Presentation currency (continued)

- Movements in share capital and share premium are translated into GBP at the rates applicable at the dates of the transactions; and
- All differences arising on the above translations have been taken to the foreign currency translation reserve.

All resulting exchange differences are recognised under other comprehensive income and presented as a separate component of equity ("Foreign Currency Translation Reserve").

Unless otherwise indicated, amounts are rounded to the nearest thousand.

(e) Accounting judgements and major sources of estimation uncertainty

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting judgements and estimation uncertainty

The following are the key accounting judgements and sources of estimation uncertainty at 30 June 2020 that have significant risk of resulting in material adjustment to the carrying amounts of assets and liabilities within the next financial year:

<u>Critical judgements in applying accounting policies:</u>

(i) Going Concern

The Group's financial statements are prepared in accordance with IFRS and on a going concern basis. The outbreak of the Covid-19 pandemic and the actions adopted by governments in countries worldwide, particularly in Australia and in New Zealand, to mitigate the pandemic's spread have significantly impacted the Group. These resulted in delays in completing works to enable settlement of pre-sold stock and the deferral in timing for new sales releases. This has adversely impacted the Group's financial performance for the year and its cash flows and liquidity position.

The Covid-19 disruption has negatively impacted the Group's working capital profile and resulted in scheduled payments not being met with both the principal financier of RCL and the vendors of the Lovely Banks project. As at 30 June 2020, the Group's subsidiary RCL has a finance facility of £23.6 million (AUD47.75 million) due to mature and be repaid by the end of March 2021. In addition, the Group's subsidiary Torchlight is obliged to pay £14.2 million (AUD25.5 million) in January 2021 to Petitioners for the redemption of their Limited Partnership interests. Management understands that the Group needs additional financing to meet the Group's working capital requirements and its financial obligations, and the Group is currently in discussions with its principal financier regarding additional financing and refinancing arrangements.

These factors create material uncertainty which may cast significant doubt on the ability of the Group to continue as a going concern. However, the financials have been prepared on a going concern basis for the reasons set out below as the Directors have a reasonable expectation that the Group has sufficient resources to continue in operational existence for at least 12 months from the date of approval of the financial statements.

In reaching this conclusion, the Directors have considered the risks (as explained below) that could impact the Group's liquidity over the next 12 months from the date of approval of the financial statements, and are of the opinion that it remains appropriate to prepare these financials on a going concern basis.

2. Basis of Preparation (continued)

(e) Accounting judgements and major sources of estimation uncertainty (continued)

Critical judgements in applying accounting policies (continued):

(i) Going Concern (continued)

In order to address the Covid-19 disruption which has negatively impacted cashflow, the Group is in the process of arranging an increase in funding to provide an additional AUD10 million in working capital which is expected to be adequate to support RCL's operational requirements over the next 12 months, including funding for restructured vendor finance arrangements in respect of the Lovely Banks development.

The milestone payment to RCL's incumbent financier will be met from settlement of existing pre-sales in the short term. This is a timing variance and whilst creating a breach of the approved terms and conditions it is considered manageable. The financier is aware of the shift in timing and has taken no steps. Historically RCL has successfully managed timing variances in respect of milestones with the same financier without issue. RCL has successfully refinanced debt facilities at each maturity with the incumbent financier (who is also the provider of the additional working capital funding) since the funding relationship commenced in 2013 and reasonably expects that the existing maturing facility will be refinanced at maturity. Whilst not legally binding, the Group has reached in principle agreement with its principle financier in respect of both increased funding and an extension in maturity. These arrangements also include resetting of milestone payments which will address the current timing variances.

In respect of Torchlight's liability of £14.2 million (AUD25.5 million) for the redemption of Partnership Interests, the Group is running a multi-track process to explore options which include a General Partner led restructure to sell the investment in RCL to a new partnership structure to allow RCL value optimisation to continue. Duff & Phelps Capital were also engaged at the end of 2019 to assist in this process, and good progress was being made early this year and a preferred investor was identified. Due diligence had commenced prior to the emergence of Covid-19 which de-railed this process. Border closures and the inability for potential investors to complete site visits and market uncertainty resulted in all of the initial parties withdrawing from this process. Duff & Phelps has since commenced a fresh process which is at an early stage and not far enough advanced for any price discovery to be received. Independent of this process, it is anticipated that the liquidity required to settle this settlement liability of AUD25.5 million, can be generated from distributions from RCL. Notwithstanding the Covid-19 disruption, distributions are expected to be generated from a combination of cash flow generated in the ordinary course of business, sales of bulk titles (RCL has a number of un-encumbered development parcels which have been subdivided to create bulk titles for sale on a wholesale basis) and/or an increase in debt as discussed above.

The Group's ability to continue as a going concern is dependent on RCL being successful in achieving the increased working capital funding and achieving refinance of the maturing debt facility in March 2021. The Directors believe the Group will be successful in achieving these outcomes. As there is uncertainty regarding the timing of these events, the Directors consider there is material uncertainty on the Group's ability to continue as a going concern, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

These financial statements have been prepared on a going concern basis and do not include any adjustments to the carrying amounts and classification of assets, liabilities and reported expenses that may otherwise be required if the going concern basis was not appropriate.

Covid-19

The Covid-19 outbreak was declared a pandemic by the World Health Organization in March 2020. The outbreak and the response of Governments in dealing with the pandemic is interfering with general activity levels within the community, the economy and the operations of the Group. The full scale and duration of these developments remain uncertain as at the date of this report.

The Covid-19 pandemic is an ongoing situation, and as such there is a degree of uncertainty involved when assessing the financial impact that the pandemic will ultimately cause. The Group has considered the likely impact when assessing the carrying value of its assets and liabilities as at 30 June 2020 and its cash flows and ability to meet its financial obligations. The directors are of the opinion that the Group is a going concern, and this Covid-19 situation will not impact the use of the going concern assumption in preparing the Group's Consolidated Financial Statements.

2. Basis of Preparation (continued)

(e) Accounting judgements and major sources of estimation uncertainty (continued)

Critical accounting judgements and estimation uncertainty (continued)

Critical judgements in applying accounting policies (continued):

(ii) Functional currency
The Board of Directors considers NZD as the functional currency of the Company, as NZD is the currency in which capital is raised, dividends are declared and paid, capital returned and ultimately the currency that would be returned if the Company was wound up. In addition, the Company has no bank facility debt and is wholly funded through equity. All equity related transactions (including dividends) are settled in NZD.

The Directors have also considered the currencies in which the underlying assets are denominated. The Company has exposures to a number of currencies through its underlying assets, principally NZD and AUD. However, the majority of the Company's expenditure during the current financial year has remained in NZD.

Whilst the Company's operations are conducted in multiple currencies, historically the functional currency has been NZD and for this financial year the Directors' have determined the underlying transactions, events and conditions have not changed from the historic functional currency position of NZD.

(iii) Fair value of financial instruments
The Directors must evaluate the fair value of the Group's financial assets measured at Fair value through profit or loss ("FVTPL"), comprising financial investments held at fair value through profit or loss and derivatives, in order to determine whether or not the carrying value is reasonable. Where there is no active market price for a financial instrument, the Directors must use their judgement in selecting an appropriate valuation technique. Details of the assumptions used are described in note 26.

(iv) Impairment
The Group recognises an allowance for expected credit losses (ECLs) for all debt instrument except those held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

(v) Investment in associate
At 30 June 2020, the Company held 32.64% (30 June 2019: nil) of the issued share capital in KCR Residential REIT plc ("KCR") through its investment in subsidiary, TFLP. While Mr Naylor, a director of the Company was appointed to the Board of KCR, the Company has considered this and TFLP's voting rights and consider that TFLP has significant influence but not control and do not deem this sufficient to enforce any operational or financial changes to KCR at this stage. In view of the significant influence of the Group through TFLP over KCR, the Directors deem KCR to be an associate.

Key sources of estimation uncertainty

(i) Inventories
Inventories are stated at the lower of cost or net realisable value, which have been determined using forecast feasibility estimates. These forecast feasibility estimates require the application of estimations around sales volume rates, development costs, selling prices and financing costs over the life of each project. The basis for which inventories are carried in the consolidated financial statements is disclosed above, whilst the carrying values of inventories are disclosed in note 17.

(ii) *Investments - Fair value through profit or loss (FVTPL) – Level 3*
The key source of estimation uncertainty when estimating the fair value of level 3 investments are the unobservable inputs and assumptions used when determining fair value. The use of different inputs or methodologies could lead to different measurement of fair value however, the Company believes that its estimates of fair value are appropriate.

2. Basis of Preparation (continued)

(e) Accounting judgements and major sources of estimation uncertainty (continued)

Critical accounting judgements and estimation uncertainty (continued)

Key sources of estimation uncertainty (continued):

(iii) Investments – Receivable from sale of Perpetual Trust Limited ("PTL")
The fair value of the Group's receivable from sale of Perpetual Trust Limited ("PTL"), has been arrived at on the basis of a valuation carried out as at the reporting date by Simmons Corporate Finance, an external party to the Group. The key assumptions are detailed further in note 26, however there are three primary scenarios: the Company pursues payment of the PTL receivable through the New Zealand Courts (the "litigation scenario"); or, in accordance with the original agreed terms, an IPO of a Newco listing on the NZX Main Board would occur with the Company subsequently receiving the settlement of the asset (the "IPO scenario"); or, the balance is not recoverable. In assessing the fair value of the receivable at 30 June 2020, the valuer applied probability weightings to each scenario, assigned a gross value at various dates that the payment could be expected and calculated the net present value (NPV) of the gross value at 30 June 2020 under each scenario.

(iv) Investments – Derivative financial instruments
The fair value of the Group's investment in the Derivative financial instruments has been arrived at on the basis of a valuation carried out by an external valuer. The external valuer used a stochastic discounted cash flow ("DCF") analysis to determine a range of supportable fair values for the Derivative financial instruments. The Directors have determined their estimate of the fair value of the Derivative financial instruments based on the range of values determined by the external valuer. The key assumptions are detailed further in note 26. The valuer modelled various outcomes by simulating changes to key underlying assumptions and determining a weighted outcome.

(v) Borrowings – Third party corporate debt facilities
Borrowings are measured at amortised cost using the effective interest method. Determination of the effective interest rate relating to the RCL NZD-denominated borrowings involved assessing cash flows from two tranches of funding. The cash flows on the first tranche are based on principal and interest payable at 8%. The cash flows from the second tranche are based on 50% of the surplus proceeds from sale of certain development properties carried as inventories. Given the nature of the lending arrangements, the amortised cost accounted balance will change over time where cash flow assumptions change (as the carrying value is based on future cash flow projections discounted at the original effective interest rate). Future cash flows, and their timing, are dependent on forecast estimates around sales volume rates, development costs and selling prices over the life of each development. Refer to notes 23 and 29 for further detail.

3. Significant Accounting Policies

The accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. These policies have been consistently applied to all the years, unless otherwise stated.

(a) Basis of consolidation

The Consolidated Financial Statements comprise the operating results, cash flows and assets and liabilities of the Company and its subsidiaries (the "Group") for the year ended 30 June 2020. Subsidiaries are all entities over which the Company exercises control. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if, and only if, the Company has:

• Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)

• Exposure, or rights, to variable returns from its involvement with the investee

• The ability to use its power over the investee to affect its returns

3. Significant Accounting Policies (continued)

(a) Basis of consolidation (continued)

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Company's voting rights and potential voting rights

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Company ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Company's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Company loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable. The Group attributes profit or loss and total comprehensive income or loss of subsidiaries between the owners of the Company and the non-controlling interests based on their respective ownership interests.

Investment in subsidiary
The Group has an investment in Torchlight Fund LP ("TFLP") which is accounted for as a subsidiary. The investment is held through the Company's subsidiary Torchlight Group Limited.

In July 2018, subsequent to a settlement agreement reached with certain Limited Partners of TFLP who had previously served a winding up petition on TFLP (see note 32), the partnership interests of those Limited Partners were cancelled, and accordingly the Group's limited partnership interest in TFLP increased to 70.3% at 30 June 2020 (30 June 2019: 70.3%). In accordance with the TFLP limited partnership agreement, substantive control over TFLP is deemed to be established when a single investor holds greater than 34% of the limited partnership interests in TFLP (see note 9).

The non-controlling interests in TFLP are measured at their proportionate share of TFLP's net assets.

(b) New accounting standards effective and adopted

There are no new standards that have been adopted for the first time in these financial statements.

3. Significant Accounting Policies (continued)

(c) New, revised and amended standards applicable to future reporting periods

At the date of approval of these Consolidated Financial Statements, the following relevant new or amended standards and interpretations, which may be applicable to the Group's operations but have not been applied in these Consolidated Financial Statements, were in issue but not yet effective:

- IAS 1 (amended), "Presentation of Financial Statements" (amendments regarding the classification of liabilities, effective for periods commencing on or after 1 January 2022;
- IAS 37 (amended), "Provisions, Contingent Liabilities and Contingent Assets" (amendments regarding the costs to include when assessing whether a contract is onerous, effective for accounting periods commencing on or after 1 January 2022);
- Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16;
- Classification of Liabilities as Current or Non-current - Amendments to IAS 1.

In addition, the IASB has issued the following publications:

- 'Amendments to References to the Conceptual Framework in IFRS Standards', published in March 2018, which updated certain Standards and Interpretations with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework, effective for accounting periods commencing on or after 1 January 2020;
- 'Definition of Material (Amendments to IAS 1 and IAS 8)', published in October 2018, which has amended IAS 1 and IAS 8 to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards, effective for accounting periods commencing on or after 1 January 2020;
- 'Amendments regarding pre-replacement issues in the context of the IBOR reform', published in September 2019, which has amended IFRS 7, IFRS 9 and IAS 39, effective for accounting periods commencing on or after 1 January 2020; and
- 'Annual Improvements to IFRS Standards 2018-2020', published in May 2020, which has amended IFRS 9 (in relation to fees in the '10 per cent' test for derecognition of financial liabilities) and certain other existing standards, effective for accounting periods commencing on or after 1 January 2022.

The Directors do not anticipate that the adoption of these standards in future periods will have a material impact on the consolidated financial statements of the Group.

(d) Current versus non-current classification

The Group presents assets and liabilities in the Consolidated Statement of Financial Position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle; or
- Held primarily for the purpose of trading; or
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle; or
- It is held primarily for the purpose of trading; or
- It is due to be settled within twelve months after the reporting date; or
- There is no unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3. Significant Accounting Policies (continued)

(e) Interest

Interest revenue and interest expense are recognised in profit or loss within the Consolidated Statement of Comprehensive Income using the effective interest method. The effective interest rate is established on initial recognition of the financial assets and liabilities and is not revised subsequently. The calculation of the effective interest rate includes all yield related fees and commissions paid or received that are an integral part of the effective interest rate.

(f) Employee benefit

Salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled wholly within 12 months of the reporting date are recognised in other payables in respect of employees services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits.

(g) Revenue

Revenue arises mainly from land development and resale. The Group also generates revenue from golf and other operations and from dividends on investments.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligations are satisfied.

(i) Revenue from land development and resale

Revenue from land development and resale is recognised at a point in time when the Group satisfies performance obligations by transferring the developed property to the buyer.

(ii) Golf and other revenue

Revenue from golf and other operations is recognised at a point in time when the Group satisfies performance obligations by transferring the promised services to its customers.

(iii) Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment has been established, normally the ex-dividend date.

(h) Foreign currencies

Foreign currency assets and liabilities are translated into New Zealand dollars, the Company's functional currency, at the rate of exchange ruling at the end of the reporting date. Transactions in foreign currency are translated at the rate of exchange ruling at the date of the transaction. Currency gains and losses are included in the profit or loss within the Consolidated Statement of Comprehensive Income.

The results of operation and financial position of subsidiaries that have a functional currency different from the Group's presentation currency are translated into the presentation currency as follows:

- Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss in the Consolidated Statement of Comprehensive Income.
- Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in Other Comprehensive Income ("OCI") or profit or loss are also recognised in OCI or profit or loss, respectively); and
- Income and expenses are translated at average exchange rates.

All resulting exchange differences are recognised under other comprehensive income and presented as a separate component of equity ("Foreign Currency Translation Reserve").

3. Significant Accounting Policies (continued)

(i) Plant and equipment

Plant and equipment are recorded at cost less accumulated depreciation and impairment. Subsequent costs are capitalised if it is probable that future economic benefits will flow to the Group and the costs can be measured reliably.

Plant and equipment are depreciated on a straight line basis, at rates which will write off cost less estimated residual values over their estimated economic lives as follows:

Plant and equipment	1 - 13 years

(j) Cash and cash equivalents

Cash and cash equivalents consist of cash and liquid assets used in the day to day cash management of the Group, including call deposits with original maturities of three months or less where there is an insignificant risk of changes in value. Cash and cash equivalents are carried at amortised cost in the Consolidated Statement of Financial Position.

(k) Tax

The Company is exempt from Guernsey income tax and is charged an annual exemption fee of £1,200. In respect of income tax arising in other jurisdictions, the income tax credit or expense for the year comprises current and deferred tax. Income tax credit or expense is recognised in profit or loss within the Consolidated Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or in equity.

Current tax is the expected tax payable in countries where the Company's subsidiaries operate and generate taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided using the balance sheet method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

(l) Inventories

Land held for resale

Land held for resale is stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Land held for resale includes the cost of acquisition and development costs incurred during development.

3. Significant Accounting Policies (continued)

(m) Finance receivables

Finance receivables are initially recognised at fair value plus incremental direct transaction costs and are subsequently measured at amortised cost using the effective interest method, less any allowance for impairment.

(n) Financial assets and liabilities

Classification

The Group classifies its financial assets and financial liabilities into categories in accordance with IFRS 9.

Financial assets

On initial recognition, the Group classifies financial assets as measured at amortised cost or at fair value through profit or loss ("FVTPL").

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal or interest ("SPPI").

All other financial assets of the Group are measured at FVTPL.

Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL.

A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.

In the prior year, all non-derivative financial liabilities were classified as other financial liabilities, and were measured at amortised cost.

Investments in loans and receivables

Investments in loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Investments – PTL receivable

The investment in PTL receivable is a financial asset arising from the sale in 2013 by the Company to Bath Street Capital limited ("BSC"), then called Coulthard Barnes Capital Limited, of the Company's shareholding in Perpetual Trust Limited (see note 19).

Gains and losses arising from changes in fair value of the asset are recognised directly in profit or loss in the Consolidated Statement of Comprehensive Income (previously through other comprehensive income and the Available for Sale reserve). Upon the adoption of IFRS 9, accumulated losses previously recognised in the Available for Sale reserve were reclassified to profit or loss in the Consolidated Statement of Comprehensive Income . There was no financial impact as a result of the reclassification.

Investments - Fair value through profit or loss (FVTPL)

Investments at FVTPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition.

Assets in this category are measured at fair value, with gains or losses recognised in profit or loss in the Consolidated Statement of Comprehensive Income. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Investments - Derivative financial instruments

The Group has a call option for the right to receive residential lots of land. This option is classified as a derivative financial instrument (see note 20). Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Gains or losses arising on revaluation are recognised in profit or loss in the Consolidated Statement of Comprehensive Income.

3. Significant Accounting Policies (continued)

(n) Financial assets and liabilities (continued)

Non-derivative financial liabilities
The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, are cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the Consolidated Statement of Financial Position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities as financial liabilities at amortised cost. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost comprises borrowings, trade and other payables and advances from other entities.

Recognition
The Group initially recognises finance receivables, deposits, debt securities issued and subordinated liabilities on the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Derecognition
The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises a financial liability when its contractual obligations are discharged, are cancelled or expire.

(o) Impaired financial assets and past due assets
The Group’s financial assets at amortised cost are subject to impairment based on the Group’s assessment of credit losses incurred and expected future credit losses over the life of the assets.

The Group has provided fully for its estimated incurred credit losses and for expected future credit losses over the life of the asset.

Past due but not impaired assets are any assets which have not been operated by the counterparty within their key terms but are not considered to be impaired by the Group.

Bad debts provided for are written off against individual or collective valuation allowances. Amounts required to bring the provisions to their assessed levels are recognised in profit or loss within the Consolidated Statement of Comprehensive Income. Any future recoveries of amounts provided for are taken to profit or loss within the Consolidated Statement of Comprehensive Income.

For further information about credit impairment provisioning refer to note 28 - Credit risk exposure.

(p) Impairment of non-financial assets
At each reporting date, the Group assesses whether there is any indication that a non-financial asset may be permanently impaired. If any indication exists, the Group estimates the asset’s recoverable amount, which is the higher of an asset’s fair value less costs of disposal and its value in use. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered permanently impaired and is written down to its recoverable amount. Any such impairment is recognised in profit or loss in the Consolidated Statement of Comprehensive Income.

3. Significant Accounting Policies (continued)

(q) Distribution of non-cash assets to owners
Non-reciprocal distributions of non-cash assets by the Group to its shareholders acting in their capacity as owners are recognised when authorised and approved by the Board of Directors and shareholders. Such distributions are measured at the fair value of assets to be distributed with any corresponding gain or loss recognised through profit or loss within the Consolidated Statement of Comprehensive Income.

(r) Borrowings
Bank borrowings are initially recognised at fair value including incremental direct transaction costs. They are subsequently measured at amortised cost using the effective interest method.

(s) Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is recognised profit or loss in the Consolidated Statement of Comprehensive Income.

(t) Goods and services tax (GST)

GST for New Zealand subsidiaries
Upon the Company’s re-domicile to Guernsey, its operating activities were no longer subject to GST. As at 30 June 2020, only two wholly-owned subsidiaries remained registered for GST in New Zealand.

All items in the Consolidated Financial Statements are stated exclusive of recoverable GST, except for receivables and payables, which are stated on a GST-inclusive basis. The net amount of GST recoverable from, or payable to, New Zealand Inland Revenue, is included as part of receivables or payables in the Consolidated Statement of Financial Position. Commitments and contingencies are disclosed exclusive of GST.

GST for Australian subsidiaries
Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the Consolidated Statement of Financial Position are shown inclusive of GST. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as part of receivables or payables in the Consolidated Statement of Financial Position.

(u) Statement of cash flows
The Consolidated Statement of Cash Flows has been prepared using the direct method modified by the netting of certain permitted cash flows, in order to provide more meaningful disclosure. Cash and cash equivalents consists of cash and liquid assets convertible to cash within 90 days and used in the day to day cash management of the Group.

(v) Segment reporting
An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components, whose operating results are regularly reviewed by the Group’s Chief Operating Decision Maker (“CODM”) to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Segment results that are reported to the Managing Director, who is the CODM, include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

4. Revenue

The Group's revenue, all of which is recognised at a point in time, is as follows, disaggregated by primary geographical markets:

	For the year ended 30 June 2020		
	Revenue from land development and resale	Golf operations, interest and other revenue	Total
	£000	£000	£000
Australia	19,521	2,127	21,648
New Zealand	35,431	156	35,587
Total	**54,952**	**2,283**	**57,236**

	For the year ended 30 June 2019			
	Revenue from land development and resale	Golf operations, interest and other revenue	Dividend revenue	Total
	£000	£000	£000	£000
Australia	63,417	1,902	-	65,319
New Zealand	4,187	238	-	4,425
Cayman Islands	-	-	88	88
Total	**67,604**	**2,140**	**88**	**69,832**

5. Net interest expense

	2020	2019
	£000	£000
Interest revenue		
Finance receivables	469	214
Advances to related parties	262	228
Total interest revenue	**731**	**442**
Interest expense		
Bank borrowings	(7,768)	(9,578)
Total interest expense	**(7,768)**	**(9,578)**
Net interest expense	**(7,037)**	**(9,136)**

6. Investment (losses)/gains and other revenue

	2020	2019
	£000	£000
Investment (losses)/gains and revenue		
Dividend revenue	-	88
Movement in fair value of investments at fair value through profit or loss	(1,223)	76
Movement in fair value of derivative financial instruments	(246)	(1,787)
Movement in fair value of listed equity securities	(31)	(126)
	(1,500)	**(1,749)**
Other revenue		
Golf revenue	1,245	1,461
Miscellaneous revenue	298	227
Rental revenue	10	10
Total other revenue	**1,553**	**1,698**

Golf revenue and expenses have been generated from the operations of a golf course within the Group's subsidiary RCL Pacific Dunes Golf Operations Pty Ltd.

7. Selling and administration expenses

	2020 £000	2019 £000
Directors' fees	120	120
Personnel expenses*	1,627	1,852
Legal and consultancy fees	3,232	2,342
Golf expenses	843	944
Depreciation	48	58
Other operating expenses**	2,962	3,016
Selling and administration expenses	**8,832**	**8,332**

** Personnel expenses have been incurred within the RCL Group (see note 9).*
*** Other operating expenses include property expenses, listing and regulatory costs, audit fees and other overhead expenditure. There are no other individual (or aggregated) significant expenses for further disaggregation.*

Details of fees paid/payable to the Auditor are as follows:

	2020 £000	2019 £000
Audit fees		
Grant Thornton – Guernsey statutory audit	174	357
– NZ regulatory audit	-	81
– AUS regulatory audit	106	-
	280	**438**

8. Impaired asset (expense)/reversal

2020

	Loans receivable individually assessed £000	Inventories £000	Total £000
Opening balance as at 1 July	**(1,467)**	**(465)**	**(1,932)**
Movement on impairment during the year	(229)	(335)	(564)
Reversal of previous impairment	-	28	28
Closing balance as at 30 June	**(1,696)**	**(772)**	**(2,468)**

2019

	Loans receivable individually assessed £000	Inventories £000	Total £000
Opening balance as at 1 July	**(1,154)**	**-**	**(1,154)**
Movement on impairment during the year	(313)	(465)	(778)
Closing balance as at 30 June	**(1,467)**	**(465)**	**(1,932)**

During the year the Group recognised a provision for impairment in respect of expected credit losses of NZD0.4 million (£0.2 million) (30 June 2019: NZD0.6 million (£0.3 million)) in relation to a group of three related loans, being 9.844% (25% of the carrying value) (30 June 2019: 13.125% (25% of the carrying value)) of the gross loan balances.

Impairment of inventories/(reversal) of impairment of inventories
The impairment of inventories for the year includes the impairment of inventories held within the Land House Limited entity in the amount of NZD0.7 million (£0.3 million) (30 June 2019: NZD0.8 million (£0.5 million) impairment in respect of inventories held within the RCL Jack's Village Point Ltd entity).

Reversal of Impairment of inventories
The reversal of impairment for the year is in respect of inventories held within the RCL Jack's Village Point Ltd entity (NZD0.5 million (£0.03 million) (30 June 2019: nil).

9. Significant controlled entities

Significant subsidiaries	Principal place of business	Nature of business	2020 % held	2019 % held
MARAC Financial Services Limited (MFSL)	New Zealand	Investment holding	100%	100%
MARAC Investments Limited	New Zealand	Property and commercial financing	100%	100%
Equity Partners Asset Management Limited[2]	New Zealand	Asset management	100%	100%
Torchlight Securities Limited[2]	New Zealand	Asset management	100%	100%
Ferrero Investments Limited	New Zealand	Holding company	100%	100%
Torchlight Fund No. 2 Limited Partnership	New Zealand	Investment holding	100%	100%
Equity Partners Infrastructure Management Ltd[2]	New Zealand	Asset management	100%	100%
NZ Credit Fund (GP) 1 Limited (in liquidation)	New Zealand	Asset management	100%	100%
Torchlight (GP) 2 Limited	New Zealand	Non-trading company	100%	100%
Torchlight Management Limited[2]	New Zealand	Asset management	100%	100%
Real Estate Credit Limited	New Zealand	Property asset management	100%	100%
Property Assets Limited	New Zealand	Property asset management	100%	100%
Land House Limited	New Zealand	Property asset management	100%	100%
Torchlight Group	Cayman Islands	Holding company	100%	100%
Torchlight GP Limited	Cayman Islands	Asset management	100%	100%
Torchlight Fund LP[1]	Cayman Islands	Investment holding entity	70.3%	70.3%
Australasian Credit Fund Limited[1, 2]	New Zealand	Finance	70.3%	70.3%
Real Estate Southern Holdings Limited[1]	New Zealand	Property Investment	70.3%	70.3%
Henley Downs Village Investments Limited[1]	New Zealand	Property Investment	70.3%	70.3%
Torchlight Real Estate Group[1]	Cayman Islands	Bare Trustee	70.3%	70.3%
RCL Real Estate Holdings[1]	Cayman Islands	Bare Trustee	70.3%	70.3%
RCL Real Estate Pty Ltd[1]	Australia	Holding Company	70.3%	70.3%
RCL Queenstown Pty Ltd[1]	Australia	Property Investment	70.3%	70.3%
RCL PRM Pty Ltd[1]	Australia	Property Investment	70.3%	70.3%
RCL Sanctuary Lakes Pty Ltd[1]	Australia	Property Investment	70.3%	70.3%
Sanctuary Land Development Pty Ltd[1]	Australia	Property Investment	70.3%	70.3%
RCL Links Pty Ltd[1]	Australia	Property Investment	70.3%	70.3%
RCL Grandvue Pty Ltd[1]	Australia	Property Investment	70.3%	70.3%
RCL Haywards Bay Pty Ltd[1]	Australia	Property Investment	70.3%	70.3%
RCL Port Stephens Pty Ltd[1]	Australia	Property Investment	70.3%	70.3%
RCL Pacific Dunes Golf Operations Pty Ltd[1]	Australia	Property Investment	70.3%	70.3%
RCL Forster Pty Ltd[1]	Australia	Property Investment	70.3%	70.3%
RCL St Albans Pty Ltd (formerly Taree Pty Ltd)[1]	Australia	Property Investment	70.3%	70.3%
RCL Merimbula Pty Ltd[1]	Australia	Property Investment	70.3%	70.3%
RCL Renaissance Rise Pty Ltd[1]	Australia	Property Investment	70.3%	70.3%
RCL Real Estate Australia Pty Ltd[1]	Australia	Property Investment	70.3%	70.3%
RCL Sunbury PTY Ltd (formerly Rock Pty Ltd)[1]	Australia	Property Investment	70.3%	70.3%
RCL Henley Downs Limited1	New Zealand	Property Investment	70.3%	70.3%
RCL Jack's Point Limited[1]	New Zealand	Property Investment	70.3%	70.3%
NZ Real Estate Credit Limited[1, 2]	New Zealand	Finance	70.3%	70.3%
Jack's Point Village Terraces Limited (formerly RCL Jack's Point Village Limited and GLC Land Holdings Limited)	New Zealand	Property Investment	70.3%	70.3%

[1]*Collectively Torchlight Fund LP and its subsidiaries*
[2]*Dormant entity*

All Group subsidiaries have 30 June as their year end, with the exception of Torchlight Fund LP and Real Estate Southern Holdings Limited which, for historical reasons, have a year end of 31 March. These Consolidated Financial Statements incorporate the adjusted results of these two entities for the year ended 30 June 2020.

9. Significant controlled entities (continued)

Groups of companies referred to throughout these Consolidated Financial Statements as Torchlight Group, RCL Group and Property Group are as follows:

Torchlight Group*
MARAC Financial Services Limited
Equity Partners Asset Management Limited
Torchlight Securities Limited
Ferrero Investments Limited
Torchlight Fund No. 2 Limited Partnership
NZ Credit Fund (GP) 1 Limited
Torchlight (GP) 2 Limited
Torchlight Management Limited
Torchlight Group and its subsidiaries:
Torchlight GP Limited
Torchlight Fund LP
Australasian Credit Fund Limited
Real Estate Southern Holdings Limited
Henley Downs Village Investments Limited
Torchlight Real Estate Group
Jack's Point Village Terraces Limited (formerly RCL Jack's Point Village Limited)
Equity Partners Infrastructure Management Ltd

RCL Group*
RCL Real Estate Holdings
RCL Real Estate Pty Ltd
RCL Queenstown Pty Ltd
RCL PRM Pty Ltd
RCL Sanctuary Lakes Pty Ltd
Sanctuary Land Development Pty Ltd
RCL Links Pty Ltd
RCL Grandvue Pty Ltd
RCL Haywards Bay Pty Ltd
RCL Port Stephens Pty Ltd
RCL Pacific Dunes Golf Operations Pty Ltd
RCL Forster Pty Ltd
RCL Merimbula Pty Ltd
RCL Renaissance Rise Pty Ltd
RCL Real Estate Australia Pty Ltd
RCL Henley Downs Limited
RCL Sunbury Pty Ltd (formerly Rock Pty Ltd)
RCL Jack's Point Limited
RCL St Albans Pty Ltd (formerly Taree Pty Ltd)
NZ Real Estate Credit Limited

Property Group
Real Estate Credit Limited
Property Assets Limited
Land House Limited
MARAC Investments Ltd

*Torchlight segment within note 33 includes both the Torchlight Group and RCL Group of companies.

Torchlight Fund LP (TFLP) and its subsidiaries

At 30 June 2020, the Company, through a subsidiary, had an ownership through direct limited partnership interests in TFLP of 70.3% (30 June 2019: 70.3%). In accordance with the TFLP limited partnership agreement, substantive control over TFLP is deemed to be established when a single investor holds greater than 34% of the limited partnership interests in TFLP. As a result, the Company is deemed to have control over TFLP. The Company, through a separate subsidiary, receives remuneration from TFLP in the form of management fees, but the Company has no ability to access or use the assets of TFLP to settle liabilities of the Company or its other subsidiaries.

A winding up petition was filed by certain Limited Partners of TFLP with the Grand Court of The Cayman Islands and served at the registered office of TFLP on 26 June 2015. The petition sought an order to wind up TFLP. In July 2018, a confidential settlement was reached in respect of the Petition and the Conspiracy Proceedings, and the petition has been withdrawn with no order as to costs. As part of this settlement, the Petitioners agreed to the redemption of their limited partnership interests for a fixed redemption payment by TFLP of AUD25.5 million (£14.2 million) (2019: AUD 25.5 million (£14.1 million)). For further details relating to the winding up petition, please see note 33.

At 30 June 2020, the Company's investment in TFLP includes material non-controlling interests ("NCI"):

Significant subsidiaries	Proportion of ownership interests and voting rights held by the NCI	Total comprehensive income/(loss) allocated to NCI	Redemption of NCI	Accumulated NCI
		£000	£000	£000
30 June 2020				
Torchlight Fund LP and its subsidiaries	29.7%	(347)	-	11,561
30 June 2019				
Torchlight Fund LP and its subsidiaries	29.7%	(1,107)	(19,449)	11,908

9. Significant controlled entities (continued)

Torchlight Fund LP (TFLP) and its subsidiaries (continued)

Summarised financial information for TFLP, before intra-Group eliminations, is set out below:

Summarised Statement of Financial Position

	2020 £000	2019 £000
Current		
Cash in bank	7,073	15,002
Other current assets (excluding cash)	14,475	43,997
Total current assets	**21,548**	**58,999**
Other current liabilities (including trade payables)	(43,482)	(7,083)
Total current liabilities	**(43,482)**	**(7,083)**
Non-current		
Assets	85,134	57,050
Liabilities	(24,246)	(68,846)
Total non-current net assets/(liabilities)	**60,888**	**(11,796)**
Net assets	**38,954**	**40,120**
Equity attributable to owners	**27,393**	**28,212**
Non-controlling interests	**11,561**	**11,908**

Summarised Statement of Comprehensive Income

	2020 £000	2019 £000
Revenue	**14,286**	**14,462**
Loss for the year attributable to owners	(705)	(2,822)
Loss for the year attributable to NCI	(298)	(1,232)
Loss for the year	**(1,003)**	**(4,054)**
Total comprehensive loss for the year attributable to owners	(820)	(2,655)
Total comprehensive loss for the year attributable to NCI	(346)	(1,107)
Total comprehensive loss for the year	**(1,166)**	**(3,762)**

No dividends were paid to the NCI during the financial year ended 30 June 2020 (30 June 2019: £nil).

9. Significant controlled entities (continued)

Torchlight Fund LP (TFLP) and its subsidiaries (continued)

Summarised statement of changes in equity

	Group interests £000	Non-controlling interests £000	Total £000
Balance at 1 July 2019	**28,212**	**11,908**	**40,120**
Loss for the year	(705)	(298)	(1,003)
Foreign currency adjustment on translation to presentation currency	(114)	(49)	(163)
Balance at 30 June 2020	**27,393**	**11,561**	**38,954**

Summarised cash flows

	2020 £000	2019 £000
Net cash applied to operating activities	(12,400)	(6,785)
Net cash from investing activities	22,411	21,372
Net cash applied to financing activities	(16,752)	(14,933)
Foreign currency adjustment on translation to presentation currency	(1,188)	1,249
Net cash (outflow)/inflow	**(7,929)**	**903**

10. Tax

	2020 £000	2019 £000
Current tax expense/(credit)		
Current year	-	-
Deferred tax credit/(charge)	948	(347)
Total tax credit/(charge)	948	(347)
Attributable to:		
Continuing operations	948	(347)
Reconciliation of effective tax rate		
Taxable losses before tax	(1,359)	(4,275)
Total taxable losses	(1,359)	**(4,275)**
Prima facie tax credit/(charge) at 30%, 28% and 0%*	568	(59)
(Less)/plus tax effect of items not taxable/deductible	(726)	1,599
Unused tax losses/(profits) and tax offsets not recognised as deferred tax assets	1,106	(1,887)
Total tax credit/(charge)	**948**	**(347)**

*30% applicable Australian tax rate, 28% applicable New Zealand tax rate, 0% Guernsey tax rate and 0% Cayman Islands tax rate for the financial year ends 30 June 2020 and 30 June 2019.

The above tax computations relate to the subsidiaries which are subject to tax reporting in Australia and New Zealand. As a Guernsey Company, the Company is exempt from Guernsey income tax and is charged an annual exemption fee of £1,200. There is no tax chargeable relating to any items included in other comprehensive income.

11. Deferred tax

	1 July 2019 £000	Recognised in profit or loss £000	Foreign exchange gain/(loss) on translation £000	30 June 2020 £000
Deferred tax liabilities	2,097	(972)	1	1,126
Deferred tax assets	(111)	24	(29)	(116)
Net deferred tax liability	**1,986**	**(948)**	**(28)**	**1,010**

	1 July 2018 £000	Recognised in profit or loss £000	Foreign exchange gain/(loss) on translation £000	30 June 2019 £000
Deferred tax liabilities	1,765	355	(23)	2,097
Deferred tax assets	(104)	(8)	1	(111)
Net deferred tax liability	**1,661**	**347**	**(22)**	**1,986**

The following deferred tax assets are only available against future taxable profits in New Zealand.

	2020 £000	2019 £000
The following deferred tax assets have not been recognised as at 30 June:		
Tax losses (subject to meeting shareholder continuity requirements)	9,030	10,239
Deductible temporary differences	347	513
Total unrecognised deferred tax assets	**9,377**	**10,752**

The following deferred tax assets are only available against future taxable profits in Australia.

	2020 £000	2019 £000
The following deferred tax assets have not been recognised as at 30 June:		
Tax losses (subject to meeting shareholder continuity requirements)	6,274	7,220
Total unrecognised deferred tax assets	**6,274**	**7,220**

The Company is exempt from Guernsey income tax.

The Group has not recognised any deferred tax assets arising from unrealised tax losses due to uncertainty of future trading results, and therefore the ability to be able to utilise the losses.

New Zealand imputation credit account

	2020 £000	2019 £000
Balance at end of the reporting period available for use in subsequent reporting periods	-	-

12. Reconciliation of loss after tax to net cash flows from operating activities

	2020 £000	2019 £000
Loss for the year	**(411)**	**(4,622)**
Add/(less) non-cash items:		
Impairment on finance receivables	564	313
Depreciation and amortisation of non-current assets	48	58
Movement in unrealised loss on investments	1,500	1,837
Interest expense	7,574	9,578
Interest revenue	(262)	(228)
Foreign exchange (loss)/gain	(202)	42
Other non-cash items	(948)	347
Total non-cash items	**8,274**	**11,947**
Add/(less) movements in working capital items:		
Trade and other receivables	2,191	(1,116)
Trade and other payables	(2,955)	(2,806)
Development costs	3,752	10,858
Total movements in working capital items	**2,988**	**6,936**
Net cash flows from operating activities	**10,851**	**14,261**

In the prior year, the Wilaci litigation claim was settled. An amount of £17.6 million was paid and £2.9 million of the accrued liability was reversed leading to a total movement of £20.5 million.

13. Reconciliation of liabilities arising from financing activities

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	2020			2019		
	Long-term borrowings £000	Short-term borrowings £000	Total £000	Long-term borrowings £000	Short-term borrowings £000	Total £000
Opening balance	**52,758**	**617**	**53,375**	**53,558**	**930**	**54,488**
Cash flows:						
Repayment	(37,997)	(5,736)	(43,733)	(16,634)	(2,157)	(18,791)
Proceeds	-	30,800	30,800	3,594	1,698	5,292
Non-cash:						
Capitalised interest	9,371	2,591	11,962	11,300	122	11,422
Translation difference	(896)	(1,410)	(2,306)	940	24	964
Closing balance	**23,236**	**26,862**	**50,098**	**52,758**	**617**	**53,375**

14. Loss per share attributable to owners of the Company

Basic and diluted loss per share is calculated by dividing the net loss after tax by the weighted average number of ordinary shares in issue during the year.

	2020	**2019**
Loss after tax attributable to owners of the Company (£000)	(113)	(3,390)
Loss after tax attributable to owners of the Company – continuing operations (£000)	(113)	(3,390)
Weighted average number of ordinary shares in issue (000)	204,970	207,463
Basic and diluted loss attributable to owners of the Company (pence per share)	**(0.06)p**	**(1.63)p**
Basic and diluted loss attributable to owners of the Company - continuing operations (pence per share)	**(0.06)p**	**(1.63)p**
Net assets per share attributable to owners of the Company (pence per share)*	**20.94p**	**21.38p**

** Net assets per share are calculated by dividing the net tangible assets by the shares in issue at year end.*

15. Share capital and reserves

Authorised Capital
The Company has the power to issue an unlimited number of shares of no par value which may be issued as redeemable shares or otherwise. The Company only has New Zealand Dollar non-redeemable ordinary shares, authorised, in issue and fully paid at the date of this report.

	2020 shares 000s	**2019 shares 000s**
Number of issued shares		
Opening balance	**207,463**	**207,463**
Share buy-back	(5,000)	-
Closing balance	**202,463**	**207,463**

The shares have equal voting rights and rights to dividends and distributions and do not have a par value.

	2020 £000	**2019 £000**
Share premium		
Opening balance	**151,940**	**151,940**
Share buy-back	(743)	-
Closing balance	**151,197**	**151,940**

Foreign currency translation reserve
The foreign currency translation reserve comprises accumulated exchange differences arising on the conversion of the Group's operations denominated in New Zealand Dollars and Australian Dollars to British Pound Sterling.

Non-controlling interests ("NCI") reserve
NCI reserve represents the accumulated profits attributable to the NCIs.

Non-controlling interests acquisition reserve
NCI acquisition reserve represents the gains recognised in transactions between the Group and NCIs.

16. Finance receivables

	2020 £000	2019 £000
Gross finance receivables	706	672
Total finance receivables	**706**	**672**

Finance receivables are loans with various terms and interest rates.

17. Inventories

	2020 £000	2019 £000
Land held for resale		
Current assets		
Cost of acquisition	6,088	14,296
Development costs	5,255	23,292
	11,343	**37,588**
Non-current assets		
Cost of acquisition	62,709	44,393
Development costs	13,162	7,123
Less: (reversal of impairment)/impairment (see note 8)	28	(465)
	75,899	**51,051**
Total inventories	**87,242**	**88,639**

The majority of the Group's inventories are held in the Torchlight Group segment of the business through the RCL Australian and New Zealand registered subsidiaries. These inventories consist of residential land subdivisions and property development in the geographical areas of Australia and New Zealand. In accordance with note 3(l), inventories are held at the lower of cost and net realisable value. All inventories are held at cost. At 30 June 2020, these inventories are pledged as security to a third party corporate debt facility as detailed further in note 243 The remaining inventories were held in the Property Group segment of the business through Land House Limited ("LHL"). At 30 June 2020, there is no security held over these properties for bank borrowing facilities as these were fully repaid during the year (30 June 2019: facility of NZD0.8 million (£0.4 million) and NZD0.4 million (£0.2 million) respectively).

During the year, AUD26.4 million (£14.1 million) and NZD 40.7 million (£25.4 million) (30 June 2019: AUD90.2 million (£49.9 million)) of inventories in respect of the RCL subsidiaries and NZD 1.4 million (£0.7 million) (30 June 2019: NZD 3.4 million (£1.8 million)) of inventories in respect of the RESHL and LHL subsidiaries were recognised as an expense in the Consolidated Statement of Comprehensive Income. No write-down of inventories to net realisable value nor any reversal of any such write-downs were recognised during the year (30 June 2019: £Nil).

18. Trade and other receivables

	2020 £000	2019 £000
Trade and other receivables	2,915	5,378
Total trade and other receivables	**2,915**	**5,378**

Trade and other receivables are short-term in nature. The net carrying value of trade and other receivables is considered a reasonable approximation of fair value at the end of each reporting period.

19. Investments – Fair value through profit or loss (FVTPL)

	2020 £000	2019 £000
Current assets		
Listed equity securities	-	144
	-	144
Non-current assets		
KCR Residential REIT	2,835	-
PTL receivable	8,742	8,765
Loans and receivables at FVTPL	5,095	5,255
	16,672	14,020
Total Investments – Fair value through profit or loss	**16,672**	**14,164**

Current assets - Listed equity securities
The Lantern Hotel Group ("Lantern"), the Group's listed equity investment in the prior year, sold down its property portfolio and, during the year, made a final return of capital to shareholders. During the year, the Group received capital distributions of dividend revenue from Lantern of AUD0.2 million (£0.1 million) (30 June 2019: dividend revenue AUD0.2 million (£0.1 million)).

Non-current assets
On 6 August 2019, a subsidiary of the Group, Torchlight Fund LP, acquired 9,000,000 New Ordinary Shares, each at 45 pence per share for a total amount of GBP4,050,000, in KCR Residential REIT plc ("KCR"), an AIM-listed real estate trust. At 30 June 2020, the Company held 32.64% (30 June 2019: nil) of the issued share capital in KCR Residential REIT plc ("KCR") through its investment in subsidiary, TFLP. While Mr Naylor, a director of the Company was appointed to the Board of KCR, the Company has considered this and TFLP's voting rights and consider that TFLP has significant influence but not control and do not deem this sufficient to enforce any operational or financial changes to KCR at this stage. KCR is deemed an associate however, for the purposes of the financial statements, the Directors have elected to account for KCR as a financial asset at fair value through profit or loss under the provisions of IAS 28 and in accordance with IFRS 9.

The principal financial information of KCR for the years ended 30 June 2020 and 2019 is as follows:

	2020 £000	2019 £000
Cash and cash equivalents	1,535,946	29,298
Other current assets	63,889	77,078
Non-current assets	23,638,410	23,984,370
Current liabilities	(2,045,674)	(4,629,304)
Non-current financial liabilities	(11,052,419)	(9,881,344)
Revenue	1,035,816	777,827
Other operating income	14,576	-
Fair value through profit or loss – Revaluation of investment properties	(311,888)	3,268
Cost of sales	(152,605)	(212,743)
Total administrative expenses	(4,690,078)	(4,460,588)
Interest income	2,645	9,635
Interest expense	(483,932)	(732,984)
Depreciation and amortisation	(23,138)	(18,074)
Taxation	-	-
Total comprehensive loss	**(3,560,818)**	**(3,737,372)**

(i) PTL receivable
The PTL receivable arose from the sale in 2013 by the Company to Bath Street Capital limited ("BSC"), then called Coulthard Barnes Capital Limited, of the Company's shareholding in Perpetual Trust Limited.

19. Investments – Fair value through profit or loss (FVTPL) (continued)

Non-current assets (continued)

(i) PTL receivable (continued)
The fair value of the PTL receivable has been arrived at on the basis of a valuation carried out by an external party to the Group, Simmons Corporate Finance, as at 30 June 2020. The valuer has significant experience in the valuation of financial transactions and issuing opinions on the fairness and merits of the terms thereof.

The key assumptions within the valuation of the PTL receivable are that there are three primary scenarios: PGC pursues payment of the PTL receivable through the Courts (the "litigation scenario"); or an IPO resulting in the Newco listing on the NZX Main Board (and possibly the Australian Stock Exchange ("ASX")), with PGC subsequently receiving the PTL receivable as provided for under the terms of the Deed of Termination of Agreements and Carry (DTAC) (the "IPO scenario"); or the balance is not recovered. In assessing the fair value of the PTL receivable at 30 June 2020, the valuer applied probability weightings to the scenarios detailed above, assigned a gross value at various dates that the payment could be expected and calculated the net present value (NPV) of the gross value at 30 June 2020 under each scenario.

On 2 August 2016, BSC, the owners of PTL, announced that the Newco (to be called Complectus Trustee Services Limited ("Complectus")) planned to list on the NZX Main Board and the Australian Securities Exchange by the end of 2016 and raise up to NZD150.0 million (£78.2 million). Subsequently, on 26 September 2016, PGC announced that it had come to an agreement with BSC to discontinue their respective High Court claims without costs with immediate, and unconditional, effect. On 16 November 2016, Complectus announced that it was deferring the proposed IPO, due to "volatility and uncertainty in capital markets". Subsequently, Complectus announced on 18 May 2017 that approval had been granted for it to be acquired by Trustee Partners, a division of Sargon Capital (the "trade sale"). On 22 June 2017, Complectus announced that the proposed trade sale had fallen through. The PGC Directors note that the probability of the IPO scenario occurring has reduced during the year and, correspondingly, that the probability of the Litigation scenario has increased. The valuation allows for these factors and has reduced as a result. Nevertheless, the Directors remain confident of recovering the outstanding debt, however time will be required.

On 18 September 2018 the Company announced that it had filed a statement of claim in the Auckland High Court against Bath Street Capital Limited and Andrew Howard Barnes seeking:

- Damages in the sum of NZD22.0 million (£11.5 million) or such alternative sum as the Court considers appropriate;
- An inquiry into any further loss suffered by PGC in agreeing to forgo its Carry Rights (including the right to 40% of the sale proceeds from Complectus, net of the syndicated debt facility) and not receiving timely payment of the Consideration Amount;
- Interest; and
- Costs.

The hearing for this claim is scheduled to take place on 14 February 2022.

At 30 June 2020, the fair value of the PTL receivable was based on a probability-weighted net present value of the PTL receivable under the three scenarios. The valuer estimated that the probability of the Litigation Scenario arising and of that litigation being successful was 63.0% (30 June 2019: 59.5%); the probability of the Litigation Scenario arising and of that litigation being unsuccessful (resulting in no return) or no IPO occurring was 20% (30 June 2019: 20%); and the probability of a successful IPO scenario was 17.0% (30 June 2019: 20.5%), with 0%, 30% and 70% probabilities that the IPO would take place in the years ended 30 June 2021, 30 June 2022 and 30 June 2023 respectively. It is important to note that the Directors consider the outcome in respect of this asset to be binary, in that they expect to either recover NZD22.0 million (£11.5 million), at a point of uncertain timing, or nil. The carrying value above therefore represents a probability-weighted outcome, representing the asset's fair value. The actual recovered amount may differ materially to this number. See note 27 for analysis of the receivable's sensitivity to the various inputs used in the valuation determination.

At 30 June 2020, based on the assumptions detailed above, the Directors have relied on this valuation and have assessed the fair value of the PTL receivable to be NZD16.8 million or £8.7 million (30 June 2019: NZD16.6 million or £8.8 million). A fair value gain of NZD0.2 million (£0.1 million) has been recognised in other comprehensive income during the year (30 June 2019: Loss of NZD0.1 million (£0.04 million)). Under both scenarios it is unlikely that settlement of the PTL receivable will occur within 12 months of the reporting date, as a result of which the PTL receivable has been classified as a non-current asset.

The above valuation is sensitive to a number of key inputs. Sensitivity analysis in respect to this balance is set out within note 27.

19. Investments – Fair value through profit or loss (FVTPL) (continued)

Non-current assets (continued)

(ii) Loans and receivables
This category comprises the following amounts:

(a) a loan to an Australian borrower group that is in default, which is measured at a fair value of AUD2.0 million (£1.1 million) (30 June 2019: AUD2.2 million (£1.2 million)) based on the future discounted cash flows expected to be received. During the year, the Group recognised a fair value decrease on this loan of AUD0.2 million (£0.1 million) (30 June 2019: increase of AUD0.2 million (£0.1 million));

(b) a receivable of NZD7.6 million (£4.0 million) (30 June 2019: AUD7.6 million (£4.0million)) due from an Australian investment company in relation to the acquisition by that company of a partnership interest in Torchlight Fund LP.

For details of methods and assumptions used to estimate the fair value of each of the above listed assets see note 26.

20. Investments – Derivative financial instruments

	2020 £000	2019 £000
Non-current assets		
Derivative financial instrument	1,849	2,119
Total Investments – Derivative financial instruments	**1,849**	**2,119**

The derivative financial instrument is a call option for the right to receive 25 residential lots (30 June 2019: 25 residential lots) in a subdivision situated in East Wanaka, New Zealand following the development of 400 sections in a number of tranches.

In order to ascertain the fair value of the derivative financial instrument, the Directors engaged an external party to the Group, Northington Partners, who assessed the Derivative financial instrument to have a fair value in the range of NZD3.4 million to NZD3.7 million (30 June 2019: NZD3.8 million to NZD4.2 million) as at 30 June 2020. In the opinion of the Directors, a valuation of NZD3.5 million (£1.8 million), in the middle of this range, best represents the fair value of the Derivative financial instruments at 30 June 2020 (30 June 2019: NZD4.0 million (£2.1 million)). For details of methods and assumptions used to estimate the fair value of the derivative financial instrument, see note 26.

21. Investments – Loans and receivables at amortised cost

	2020 £000	2019 £000
Current assets		
Loans receivable - gross	2,347	2,381
Impairment of loans receivable	(1,654)	(1,444)
Total current loans and receivables at amortised cost	693	937
Non-current assets		
Loans receivable - gross	35,186	34,898
Impairment of loans receivable	(35,186)	(34,898)
Loans receivable – net of impairment	-	-
Other receivables	1,583	1,606
Total non-current loans and receivables at amortised cost	1,583	1,606
Total loans and receivables at amortised cost	**2,276**	**2,543**

21. Investments – Loans and receivables at amortised cost (continued)

The following table shows a reconciliation of the balances of impairment on loans during the year:

	2020 £000	2019 £000
Balance brought forward	36,342	45,039
Impaired asset charge	229	313
Accumulated impairment on loan repaid during the year	-	(7,205)
Reclassification of loans and receivables to FVTPL	-	(1,365)
Foreign exchange on translation	269	(440)
Balance carried forward	**36,840**	**36,342**

Loans receivable
The non-current loans receivable have been impaired based on expected recoveries from underlying projects. These loans have been valued and assessed for impairment based on discounted cash flow (DCF) analysis of the underlying projects. The discount rates applied within these DCF analysis range from 9% to 20%.

During the year, impairment of NZD0.4 million (£0.2 million) (30 June 2019: NZD0.6 million (£0.3 million)) on the Group's current loans receivable has been recognised to reflect expected future credit losses, representing 9.844% (30 June 2019: 13.125%) of the gross loan balances.

Other receivables
Other receivables comprises NZD3.0 million (£1.6 million) (30 June 2019: NZD 3.0 million (£1.6 million)) paid as a deposit towards 50% of development costs on the initial exercise of call options in respect of 50 (30 June 2019: 50) residential lots in a subdivision situated in East Wanaka, New Zealand.

The ageing analysis of the loans and receivables is as follows:

	2020			
	£000 Not yet due	£000 Past due and impaired	£000 Past due and not impaired	£000 Total
Not yet due	1,583	-	-	1,583
Up to 12 months	-	693	-	693
Total	**1,583**	**693**	**-**	**2,276**

	2019			
	£000 Not yet due	£000 Past due and impaired	£000 Past due and not impaired	£000 Total
Not yet due	1,606	-	-	1,606
Up to 12 months	-	937	-	937
Total	1,606	937	-	2,543

22. Non-controlling interest

The Group's allocations/transactions with non-controlling interests ("NCI") can be summarised as follows:

	2020 £000
NCI brought forward at 30 June 2019	**11,908**
NCI's share of losses for the year	(298)
Foreign currency adjustment on translation to presentation currency	(49)
NCI carried forward at 30 June 2020	**11,561**

	2019 £000
NCI brought forward at 30 June 2018	**32,464**
NCI's share of losses for the year	(1,232)
Foreign currency adjustment on translation to presentation currency	125
Redemption of NCI during the year	(19,449)
NCI carried forward at 30 June 2019	**11,908**

Following the settlement of the Cayman litigation in the prior year, the movement in the share of net assets arising from the settlement, and directly attributable to owners of the Company, was £5.1 million.

23. Borrowings

	2020 £000	2019 £000
Current		
Third party corporate debt facilities – secured	26,862	617
Non-current		
Third party corporate debt facility – secured	23,236	52,758
Total borrowings	**50,098**	**53,375**

Third party debt facilities for the Australian portfolio in the RCL Group are secured by cross-guarantees between RCL Group subsidiaries together with freehold mortgages and registered charges. The total facilities of AUD48.2 million (£26.9 million) are due to mature in March 2021.

The Hanley Farm project debt is a stand-alone facility provided to RCL Hanley Downs Ltd. This facility is limited recourse with security being limited to the freehold mortgage and registered charge. The total facility of NZD 44.6 million (£23.2 million) is due to expire in July 2026.

Applicable interest rates on the debt facilities are 11.80% and 8.00% respectively.

Since the balance sheet date, due to the Covid-19 related cashflow disruption and the impact this has had on completion of works to enable settlement of pre-sold stock, the Group has not met the scheduled milestone payment due on the Australian facility at the end of October 2020.

The milestone payment will be met from settlement of existing pre-sales in the short term. This is a timing variance and whilst creating a breach of the approved terms and conditions it is considered manageable. The financier is aware of the shift in timing and has taken no steps. Historically the Group has successfully managed timing variances in respect of milestones with the same financier without issue.

24. Trade and other payables

	2020 £000	2019 £000
Current		
Trade and other payables	3,000	5,962
	3,000	**5,962**

Trade and other payables are short-term in nature. The net carrying value of trade and other payables is considered a reasonable approximation of fair value at the end of each reporting period.

25. Related party transactions

(a) Transactions with related parties

Parent and its associated entity

Australasian Equity Partners (GP) No. 1 Limited (AEP GP)
AEP GP, as general partner of Australasian Equity Partners Fund No.1 LP ("AEP LP"), is the parent of PGC, holding 65.71% of the Company's shares at 30 June 2020 (30 June 2019: 80.16%). George Kerr is the ultimate controlling party of AEP LP. AEP GP charged Torchlight Group Limited, a subsidiary of the Company, administration fees of £63,000 during the year ended 30 June 2020 (30 June 2019: £55,000). At 30 June 2020, an amount of £41,467 was payable to AEP (GP) (30 June 2019: £nil). The above expenses have been included in selling and administration expenses in the Consolidated Statement of Comprehensive Income.

During the year ended 30 June 2020, unsecured loan advances were provided to AEP GP. These amounts are repayable by AEP GP on demand, or by the loan expiry date of 30 November 2023, extended from 13 November 2020, whichever is the earlier. At 30 June 2020, the amount receivable from AEP GP was £3.1 million (30 June 2019: £2.8 million). General advances accrue interest at 9%. Total interest recognised during the year was £262,000 (30 June 2019: £228,000).

(b) Transactions with key management personnel

Key management personnel, being Directors of the Group and staff reporting directly to the Managing Director transacted with the Group during the year as follows:

	2020 £000	2019 £000
Key management personnel compensation from Parent Company is as follows:		
Directors' fees payable to non-executive Directors	120	120
Consultancy fees payable to executive Directors	893	735
Total	**1,013**	**855**

Directors' fees of £25,000 were outstanding at 30 June 2020 (30 June 2019: £10,000). Consultancy fees of £159,000 were outstanding at 30 June 2020 (30 June 2019: £98,000).

	2020 £000	2019 £000
Personnel compensation within RCL Group companies is as follows:		
Short-term employee benefits	1,627	1,852
Total	**1,627**	**1,852**

There were no employee benefits outstanding at 30 June 2020 or 30 June 2019.

26. Fair value

The following methods and assumptions were used to estimate the fair value of each class of asset and financial liability.

Fair value measurement of financial instruments

Finance receivables
The fair values of the Group's finance receivable are considered equivalent to their carrying value due to their short term nature.

Loans and receivables
Loans and receivables are measured at amortised cost. For purposes of fair value disclosures, the carrying amount of short term loans and receivables approximates fair value. For long term loans and receivables, fair value is determined based on discounted cash flows using the current market interest rate of a similar instrument and based on this the amortised cost approximates the fair value.

Borrowings
Borrowings are measured at amortised cost. For purposes of fair value disclosures, the carrying amount of short term borrowings approximates fair value. For long term borrowings, fair value is determined based on discounted cash flows using the current market interest rate of a similar instrument and based on this the amortised cost approximates the fair value.

Investments - Fair value through profit or loss
Listed equity securities
Investments at fair value through profit or loss comprises UK listed equity securities. (30 June 2019: Australian listed equity securities). The listed equity securities are measured at fair value, based on unadjusted quoted prices in active markets for identical assets. During the year the final capital return was received for the Australian equity securities held in the prior year.

PTL Receivable
The PTL receivable is measured at fair value, in accordance with a valuation prepared by an external valuer, which is based on the probability weighted Net Present Values (NPVs) of the receivable under three separate scenarios (see note 19). The Directors consider the fair value of the PTL receivable at the reporting date to be best represented by the valuation assessment provided by the external valuer.

Loans and receivables
Loans and receivables measured at fair value are valued on the basis of the future discounted cash flows expected to be received from the assets, which the Directors consider to be the best estimate of fair value for the assets at the reporting date.

Derivative financial instruments
Derivative financial instruments are measured at fair value. The derivative financial instrument is a call option for the right to receive 25 residential lots (30 June 2019: 25 residential lots) in a subdivision situated in East Wanaka, New Zealand following the development of 400 sections in a number of tranches. The derivative financial instrument has been valued by an external valuer, using a stochastic discounted cash flow (“DCF”) analysis over an assumed development period for the 25 lots. The Directors consider the fair value of the derivative financial instrument to be best represented by the valuation assessment provided by the external valuer.

26. Fair value (continued)

Fair Value Hierarchy

The following table provides an analysis of assets and liabilities that are measured subsequent to initial recognition at fair value grouped as follows:

a) Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

c) Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

	Note	2020			
		Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Assets					
Investments – PTL receivable	19	-	-	8,742	8,742
Listed equity securities	19	2,835	-	-	2,835
Loans and receivables	21	-	-	5,095	5,095
Investments – Derivative financial instruments	20	-	-	1,849	1,849
Total Assets		**2,835**	**-**	**15,686**	**18,521**

	Note	2019			
		Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Assets					
Investments – PTL receivable	19	-	-	8,765	8,765
Listed equity securities	19	-	144	-	144
Loans and receivables	21	-	-	5,255	5,255
Investments – Derivative financial instruments	20	-	-	2,119	2,119
Total Assets		**-**	**144**	**16,139**	**16,283**

26. Fair value (continued)

Reconciliation of Level 3 fair value measurements of assets

2020	**PTL receivable £000**	**Loans and receivables at fair value through profit or loss £000**	**Derivative financial instruments £000**	**Total £000**
Investments held at fair value				
Balance at the beginning of the year	8,765	5,255	2,119	16,139
Change in fair value through profit or loss within investment revenue	99	(107)	(246)	(254)
Foreign exchange on translation	(122)	(53)	(24)	(199)
Balance at the end of the year	**8,742**	**5,095**	**1,849**	**15,686**

2019	**PTL receivable £000**	**Loans and receivables at fair value through profit or loss £000**	**Available for sale financial assets £000**	**Derivative financial instruments £000**	**Total £000**
Investments held at fair value					
Balance at the beginning of the year	-	-	8,531	3,815	12,346
Reclassification to investments at fair value through profit or loss	8,531	5,026	(8,531)	-	5,026
Change in fair value through profit or loss within investment revenue	(41)	116	-	(1,787)	(1,712)
Foreign exchange on translation	275	113	-	91	479
Balance at the end of the year	**8,765**	**5,255**	**-**	**2,119**	**16,139**

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

26. Fair value (continued)

Reconciliation of Level 3 fair value measurements of assets (continued)

Information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value at 30 June 2020 £000	Fair value at 30 June 2019 £000	Valuation techniques	Unobservable inputs	Range of unobservable inputs (probability – weighted average)	Relationship of unobservable inputs to fair value
Derivative financial instruments	1,849	2,119	Stochastic discounted cash flow analysis	See page 58	See page 58	See page 58
PTL receivable	8,742	8,765	External valuation using probability weighted scenarios	Percentage probability weightings Discount rate	See pages 54 to 57	See pages 54 to 57
Loan at fair value through profit or loss	1,116	1,218	Based on NPV of future cash flows and cash balance	Discount rate	10%	If the discount rate used was higher/lower, the fair value would decrease/increase
Receivable at fair value through profit or loss	3,979	4,037	Cost adjusted for any estimated shortfall in future distribution payable to Limited Partner in Torchlight	Torchlight NAV	Current NAV at year end date	If the value of the Limited Partner's interest in Torchlight fell below the subscription value, the fair value would decrease
	15,686	**16,139**				

26. Fair value (continued)

Valuation process

PTL receivable

In order to ascertain the fair value of the PTL receivable, the Directors engaged an external valuer (see note 19) who assessed the receivable to have a fair value of NZD16.8 million (£8.7 million) (30 June 2019: NZD16.6 million (£8.8 million)). Set out below are details of the inputs used in determining the fair value of the PTL receivable, and analysis as to how the fair value of the receivable would change under varying scenarios.

Valuation assumptions

In determining the fair value of the PTL receivable at year end, the valuer considered three primary scenarios that could occur in the future:

1. The litigation scenario in which PGC would successfully pursue payment of the PTL receivable through litigation;
2. The IPO scenario in which PGC receives payment under the terms of the Deed of Termination of Agreements and Carry (DTAC) after a Newco containing PTL is successfully listed on the NZX Main Board; and
3. The balance is not recovered, i.e. litigation is unsuccessful and no IPO occurs.

The valuer has assigned an 90% likelihood that the receivable will be subject to litigation and a 10% likelihood that the receivable will be recovered through an IPO between 30 June 2021 and 30 June 2023. In the event litigation occurs, the valuer has assigned a 70% probability that the litigation will be successful, so effectively a 63.0% likelihood that the receivable will be recovered via a litigation scenario. The valuer has also recognised that an IPO may not occur and that PGC's litigation may not be successful, resulting in PGC receiving no return from the PTL receivable. The valuer has applied a 20% likelihood of no recovery under that scenario.

Under the IPO scenario, the valuer has assumed three sub-scenarios in which the IPO could take place in one year's time (i.e. on or around 30 June 2021), in two years' time (on or around 30 June 2022), or in three years' time (on or around 30 June 2023), with probabilities of 0%, 30% and 70% respectively. In addition, the valuer has assessed the likelihood of the Newco not achieving a prospective EBITDA multiple of 8.5x to be negligible, and has attributed a probability of 0% to this outcome. All cash flows under the IPO scenario have been discounted using a discount rate of 9.86%.

Using the above valuation assumptions the fair value of the PTL receivable has been calculated as follows:

	Litigation scenario	**IPO – thee sub-scenarios**			**No return scenario**
	NZD000	**NZD000**	**NZD000**	**NZD000**	**NZD000**
Gross Value	22,000	22,000	22,000	22,000	0
Date received	31 Dec 2022	30 June 2021	30 June 2022	30 June 2023	
Discount rate – pre-tax	0.00%	9.86%	9.86%	9.86%	
Present value – 30 June 2019	22,000	20,025	18,228	16,592	
Probability	63.0%	0.0%	5.1%	11.9%	20.0%
Fair Value – 30 June 2020	**16,764**				
	£000				
Fair Value in £ – 30 June 2020	**8,742**				

26. Fair value (continued)

Valuation process (continued)

PTL receivable (continued)

At 30 June 2019, the valuer assigned an 85% likelihood that the receivable would be subject to litigation and a 15% likelihood that the receivable would be recovered through an IPO between 30 June 2020 and 30 June 2022. In the event litigation were to occur, the valuer assigned a 70% probability that the litigation would be successful, so effectively a 59.5% likelihood that the receivable would be recovered via a litigation scenario. The valuer also recognised that an IPO might not occur and that PGC's litigation might not be successful, resulting in PGC receiving no return from the PTL receivable. The valuer applied a 20% likelihood of no recovery under that scenario.

Under the IPO scenario, the valuer has assumed three sub-scenarios in which the IPO could take place in one year's time (i.e. on or around 30 June 2020), in two years' time (on or around 30 June 2021), or in three years' time (on or around 30 June 2022), with probabilities of 0%, 40% and 60% respectively. In addition, the valuer has assessed the likelihood of the Newco not achieving a prospective EBITDA multiple of 8.5x to be negligible, and has attributed a probability of 0% to this outcome. All cash flows under the IPO scenario have been discounted using a discount rate of 10.56%.

Using the above valuation assumptions the fair value of the PTL receivable as at 30 June 2019 was calculated as follows:

	Litigation scenario	IPO – thee sub-scenarios			No return scenario
	NZD000	**NZD000**	**NZD000**	**NZD000**	**NZD000**
Gross Value	22,000	22,000	22,000	22,000	0
Date received	31 Dec 2020	30 June 2020	30 June 2021	30 June 2022	
Discount rate – pre-tax	0.00%	10.56%	10.56%	10.56%	
Present value – 30 June 2018	22,000	19,899	17,998	16,279	
Probability	59.5%	0.0%	8.2%	12.3%	20.0%
Fair Value – 30 June 2019	**16,568**				
	£000				
Fair Value in £ – 30 June 2019	**8,765**				

26. Fair value (continued)

Valuation process (continued)

PTL receivable (continued)

Litigation, IPO scenarios and timings

- a 10% decrease in the probability weighting of the successful litigation scenario would result in a reduction in the fair value of the PTL receivable of £917,000;
- a 5% decrease in the probability weighting of the general litigation scenario would result in a decrease in the fair value of the PTL receivable of £1,246,000;
- a 6 month delay in each of the IPO sub-scenarios would result in a reduction in the fair value of the PTL receivable of £70,000;
- a 12 month delay in each of the IPO sub-scenarios would result in a reduction in the fair value of the PTL receivable of £136,000; and
- a 2% decrease in the discount rate used would result in an increase in the fair value of the PTL receivable of £38,000.

The following sensitivity table illustrates the potential impact to the fair value of the PTL receivable arising from potential changes to the litigation success rate and potential delays in the timing of IPO scenarios, with all other variables consistent with initial assumptions.

Success %	IPO delay							Successful litigation probability
	31-Dec-20	30-Jun-21	31-Dec-21	30-Jun-22	30-Jun-23	30-Jun-24	30-Jun-25	
0%	3,111	2,969	2,832	2,702	2,460	2,239	2,038	**0.0%**
10%	3,926	3,794	3,666	3,546	3,320	3,115	2,928	**9.0%**
20%	4,741	4,619	4,500	4,389	4,180	3,990	3,818	**18.0%**
30%	5,555	5,444	5,335	5,232	5,040	4,866	4,707	**27.0%**
40%	6,370	6,268	6,169	6,076	5,901	5,742	5,597	**36.0%**
50%	7,185	7,092	7,003	6,919	6,761	6,618	6,487	**45.0%**
60%	7,999	7,917	7,838	7,762	7,622	7,493	7,377	**54.0%**
70%	8,814	8,742	8,672	8,606	8,482	8,369	8,267	**63.0%**
80%	9,629	9,567	9,506	9,449	9,342	9,245	9,157	**72.0%**
90%	10,443	10,391	10,340	10,292	10,202	10,121	10,046	**81.0%**
100%	11,258	11,216	11,174	11,136	11,063	10,997	10,936	**90.0%**

The following sensitivity table illustrates the potential impact to the fair value of the PTL receivable arising from potential changes to the litigation scenario weighting and potential delays in the timing of IPO scenarios, with all other variables consistent with initial assumptions.

Litigation %	IPO delay							Successful litigation probability
	31-Dec-20	30-Jun-21	31-Dec-21	30-Jun-22	30-Jun-23	30-Jun-24	30-Jun-25	
70%	7,063	6,997	6,933	6,873	6,761	6,659	6,566	**49.0%**
75%	7,501	7,433	7,368	7,307	7,191	7,086	6,991	**52.5%**
80%	7,939	7,869	7,803	7,740	7,622	7,514	7,416	**56.0%**
85%	8,376	8,306	8,237	8,173	8,052	7,942	7,842	**59.5%**
90%	8,814	8,742	8,672	8,606	8,482	8,369	8,267	**63.0%**
95%	9,252	9,178	9,106	9,038	8,912	8,797	8,692	**66.5%**

26. Fair value (continued)

Valuation process (continued)

PTL receivable (continued)

Litigation, IPO scenarios and timings (continued)

Discount rate
Assessment of fair value requires consideration of a willing buyer and a willing seller on an open market. It is probable that a hypothetical willing buyer of this asset may apply an additional risk premium to the discount rate to reflect the uncertainties associated with the recovery of the PTL receivable. In the sensitivity table below, we show the potential impact to the fair value of the PTL receivable arising from potential changes to the pre-tax discount rate with all other variables consistent with initial assumptions.

Success %	Discount rate							Successful litigation probability
	3.86%	5.86%	7.86%	9.86%	11.86%	13.86%	15.86%	
0%	3,453	3,280	3,119	2,969	2,829	2,699	2,576	**0.0%**
10%	4,244	4,083	3,933	3,794	3,664	3,542	3,428	**9.0%**
20%	5,034	4,886	4,747	4,619	4,498	4,385	4,280	**18.0%**
30%	5,825	5,689	5,562	5,444	5,332	5,229	5,132	**27.0%**
40%	6,616	6,492	6,376	6,268	6,167	6,073	5,984	**36.0%**
50%	7,407	7,295	7,190	7,092	7,002	6,917	6,837	**45.0%**
60%	8,197	8,097	8,004	7,917	7,836	7,760	7,689	**54.0%**
70%	8,988	8,900	8,818	8,742	8,670	8,604	8,541	**63.0%**
80%	9,779	9,703	9,632	9,567	9,505	9,447	9,393	**72.0%**
90%	10,570	10,506	10,431	10,391	10,340	10,291	10,246	**81.0%**
100%	11,361	11,309	11,261	11,216	11,174	11,134	11,098	**90%**

The following sensitivity table illustrates the potential impact to the fair value of the PTL receivable arising from potential changes to the litigation scenario weighting and the discount rate, with all other variables consistent with initial assumptions.

Litigation %	Discount rate							Successful litigation probability
	3.86%	5.86%	7.86%	9.86%	11.86%	13.86%	15.86%	
70%	7,221	7,141	7,067	6,997	6,932	6,872	6,815	**49.0%**
75%	7,663	7,581	7,504	7,433	7,424	7,305	7,246	**52.5%**
80%	8,105	8,021	7,942	7,869	7,802	7,737	7,678	**56.0%**
85%	8,547	8,461	8,380	8,306	8,236	8,136	8,110	**59.5%**
90%	8,988	8,900	8,818	8,742	8,670	8,604	8,541	**63.0%**
95%	9,430	9,340	9,256	9,178	9,105	9,036	8,973	**66.5%**

Litigation, IPO scenarios and timings

Prospective EBITDA multiple
As set out above, the PTL receivable is determined on the basis of the prospective EBITDA multiple of the Newco on listing.

Having considered the past trading multiples of comparable companies and the headline indices of NZ and Australia, the valuer concluded that the likelihood of this being less than 8.5x (as per the DTAC) is negligible.

In summary, various factors could impact the fair value of the PTL receivable and while the above analysis provides information in respect to the potential impact of changes to the underlying assumptions of the independent expert, the actual fair value may vary significantly from the amount recorded within the consolidated financial statements.

26. Fair value (continued)

Valuation process (continued)

Listed equity securities
Listed equity securities comprises a UK listed equity security, which is measured at fair value, based on unadjusted quoted price in active markets for identical assets. The investment is classified as level 1 financial instruments in the fair value hierarchy.

Derivative financial instruments
The derivative financial instrument is a call option for the right to receive a fourth tranche of 25 residential lots (30 June 2019: 25 residential lots) in a subdivision situated in East Wanaka, New Zealand. The Group has hitherto exercised options over 75 residential lots in three tranches. The derivative financial instrument has been valued by an external valuer, using a stochastic discounted cash flow (“DCF”) analysis over an assumed development period for the 25 lots.

The primary assumptions used in the valuation were: estimated average sale price of NZD350,000 per lot; average lot size of 600 square metres; development costs of NZD121,500 per lot; and each section to be pre-sold subject to title and an overall development and sale period of 4.67 years.

Within the methodology the valuer has allowed for certain parameters to vary as follows:

Number of sections released in future tranches
The developer is to develop and market at least 25 sections in the remaining tranche, meaning the Group will have the option to purchase at least 25 properties at the conclusion of the options’ life. The valuer has applied a broad spectrum of possibilities in case this tranche is not completed in line with the agreed timeline for whatever reason.

The escalation or reduction in sale price of the sections
The sale price will be determined by the market at the time of sale. The valuer has applied an assumption of 2.5% per annum increases in sales prices, in line with recent land appreciation rates.

The escalation in the exercise price
The valuer has applied an assumption that there will be no increase in the exercise price, as this has remained constant for the first three tranches of residential lots.

Valuation results
The valuer has modelled a range of possible outcomes using a stochastic DCF analysis with varying assumptions as detailed above. The valuer estimated a low to high range of values of the remaining tranche being between NZD3.4 million and NZD3.7 million respectively. The Directors have determined that as at 30 June 2020 a valuation of NZD3.5 million (£1.8 million), in the middle of this range, best represents the fair value of the residual option for 25 lots (30 June 2019: NZD4.0 million (£2.1 million).

27. Risk management policies

The Group is committed to the management of operational and financial risk. The primary financial risks are credit, liquidity and market risk (comprising interest rate, foreign exchange and equity price risk). The Group's financial risk management strategy is set by the Directors. The Group has put in place management structures and information systems to manage the risks arising from financial instruments and has separated monitoring tasks where feasible.

27. Risk management policies (continued)

For the purposes of this note the financial instruments can be broken down as follows:

Categories of financial instruments

	2020 £000	2019 £000
Assets		
Financial assets at fair value through profit or loss		
Investments – PTL receivable	8,742	8,765
Investments – Derivative financial instruments	1,849	2,119
Investments – Fair Value through profit or loss	7,930	5,399
Financial assets at amortised cost		
Investments – Loans and receivables at amortised cost	2,276	2,543
Cash and cash equivalents	7,253	15,096
Finance receivables	706	672
Trade and other receivables	2,915	5,378
Advances to related parties	3,113	2,795
Liabilities		
Financial liabilities at amortised cost		
Borrowings	50,098	53,375
Trade and other payables	17,218	20,065

The credit risk associated with the Group's financial assets is best represented by the carrying value of the assets as disclosed above.

Management of capital
The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders, through the optimisation of the debt and equity balance.

For the purpose of the Group's capital management, capital includes issued capital and all other equity reserves attributable to equity holders of the Company. To maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares and may seek to increase or decrease its level of net debt. The primary objective of the Group's capital management is to maximise the shareholder value.

In order to achieve this objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to its borrowing facilities within the RCL Group. There have been no breaches of such financial covenants during the year. The Group has no significant borrowing facilities nor externally imposed capital requirements.

28. Credit Risk Exposure

Credit risk management framework
Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. To manage this risk, the Directors approve all transactions that would subject the Group to significant credit risk.

Reviewing and assessing credit risk
The credit risk management strategies ensure that:

- Credit origination meets agreed levels of credit quality at point of approval.
- Maximum total exposure to any one debtor is actively managed.
- Changes to credit risk are actively monitored with regular credit reviews.

28. Credit Risk Exposure (continued)

Collateral requirements - finance receivables

The Group has partial or full collateral in place over some finance receivables. The collateral is usually by way of first charge over the asset financed and generally includes personal guarantees from borrowers and business owners.

(a) Credit impairment

Credit impairment assessments are made where events have occurred leading to an expectation of reduced future cash flows from certain receivables measured at amortised cost. Specific impairment allowances are made where events have occurred leading to an expectation of reduced future cash flows from certain receivables. Provisions have also been made for expected future credit losses on loans where appropriate.

Credit impairments are recognised as the difference between the carrying value of the loan and the discounted value of management's best estimate of future cash repayments and proceeds from any security held (discounted at the loan's original effective interest rate). All relevant considerations that have a bearing on the expected future cash flows are taken into account, including the business prospects for the customer, the likely realisable value of collateral, the Group's position relative to other claimants, the reliability of customer information and the likely cost and duration of the work-out process. Subjective judgements are made in this process. Furthermore, judgement can change with time as new information becomes available or as work-out strategies evolve, resulting in revisions to the impairment provision as individual decisions are taken. Estimating the timing and amount of future cash repayments and proceeds from the realisation of collateral are difficult and subjective judgements.

During the year, a provision for impairment of NZD0.4 million (£0.2 million) (30 June 2019: NZD0.6 million (£0.3 million)) was made against three related loans receivable with a gross value of NZD4.5 million (£2.3 million) (30 June 2019: NZD4.5 million (£2.4 million)). These loans were impaired by a further 9.844% (30 June 2019: 13.125%) to reflect likely future credit losses.

These loans are recorded at amortised cost less provision for impairment.

With the exception of the above receivables, the Group has no other amounts which are past due at the end of each reporting period.

Concentrations of credit risk

The Group has a concentration of credit risk at 30 June 2020 in relation to its investments in loans and receivables and investment in the PTL receivable (see note 19).

The amount of the PTL receivable is NZD22.0 million (£11.5 million) (30 June 2019: NZD22.0 million (£11.6 million) is due to be paid as soon as a newly incorporated company (Newco) related to the purchaser is listed on the Main Board of the NZX Limited. The Directors are of the view that the listing, should it proceed, will generate sufficient funds to settle this receivable, or alternatively that a significant proportion of the amount could be recovered through litigation. See note 19 for further details.

Maximum exposure to credit risk

The carrying amount of the Group's financial assets recorded in the consolidated financial statements, net of impairment losses relating to financial assets at amortised cost, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

29. Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulty in raising funds at short notice to meet its commitments.

The Group manages liquidity and funding risk by actively monitoring cash on a daily basis to ensure sufficient liquid resources are available to meet requirements. Cash flow forecasts are prepared regularly and corrective action taken where a shortfall in cash is expected.

29. Liquidity risk (continued)

Contractual liquidity profile of financial liabilities

2020	**0-12 Months £000**	**1-2 Years £000**	**2-5 Years £000**	**5+ Years £000**	**Total £000**
Financial liabilities					
Borrowings	30,032	-	-	34,389	64,421
Other financial liabilities	17,218	-	-	-	17,218
Total financial liabilities	**47,250**	**-**	**-**	**34,389**	**81,639**

2019	**0-12 Months £000**	**1-2 Years £000**	**2-5 Years £000**	**5+ Years £000**	**Total £000**
Financial liabilities					
Borrowings	656	16,459	-	61,902	79,017
Other financial liabilities	5,962	-	14,103	-	20,065
Total financial liabilities	**6,618**	**16,459**	**14,103**	**61,902**	**99,082**

The tables above show the undiscounted cash flows of the Group's financial liabilities on the basis of their earliest possible contractual maturity.

The AUD borrowing facility within the RCL Group expires in February 2021 and incurs interest at 11.80%. Interest payments at 8.00% arising on the NZD facilities included in the 5+ years time band are based on contractual dates of repayment of principal.

The Group's undrawn committed bank facilities at 30 June 2020 amounted to AUDnil million (£nil) (30 June 2019: AUDnil (£nil)).

There were no unrecognised loan commitments for the Group for the year ended 30 June 2020 (30 June 2019: £nil).

30. Market risk

Interest rate risk
Interest rate risk is the risk that market interest rates will change and impact on the Group's financial results.

	WAIR* %	**Floating rate financial instruments £000**	**Fixed rate financial instruments £000**	**Non-interest bearing financial instruments £000**	**Total £000**
2020					
Assets					
Cash and cash equivalents	1.37%	7,253	-	-	7,253
Finance receivables		-	-	706	706
Advances to related parties	9.00%	-	3,113	-	3,113
Investments – Loans and receivables at amortised cost		-	-	2,276	2,276
Investments – Fair value through profit or loss		-	-	16,672	16,672
Trade and other receivables		-	-	2,915	2,915
Total Assets		**7,253**	**3,113**	**22,569**	**32,935**
Financial liabilities					
Borrowings	10.04%	-	50,098	-	50,098
Other financial liabilities		-	-	17,219	17,219
Total financial liabilities		**-**	**50,098**	**17,219**	**67,317**
Total interest sensitivity gap		**7,253**	**(46,985)**	**5,350**	**(34,382)**

30. Market risk (continued)

Interest rate risk (continued)

	WAIR* %	Floating rate financial instruments £000	Fixed rate financial instruments £000	Non-interest bearing financial instruments £000	Total £000
2019					
Assets					
Cash and cash equivalents	1.61%	15,096	-	-	15,096
Finance receivables		-	-	672	672
Advances to related parties	9.00%	-	2,795	-	2,795
Investments – Loans and receivables at amortised cost		-	-	2,543	2,543
Investments – Fair value through profit or loss		-	-	14,164	14,164
Trade and other receivables		-	-	5,378	5,378
Total Assets		**15,096**	**2,795**	**22,757**	**40,648**
Financial liabilities					
Borrowings	9.86%	-	53,375	-	53,375
Other financial liabilities		-	-	20,090	20,090
Total financial liabilities		**-**	**53,375**	**20,090**	**73,465**
Total interest sensitivity gap		**15,096**	**(50,580)**	**2,667**	**(32,817)**

*Weighted average interest rate

The sensitivity analysis below has been determined based on the Group's exposure to interest rates for interest bearing assets and liabilities (included in the interest rate exposure table above) at the year end date and the stipulated change taking place at the beginning of the financial year and held constant through the reporting period in the case of instruments that have floating rates.

As 30 June 2020, a reasonably probable increase/decrease in interest rates on floating rate financial instruments of 0.5%, with all other variables held constant, would have resulted in an increase of £36,000/decrease of £30,000 in profit or loss in the Consolidated Statement of Comprehensive Income for the year (30 June 2019: increase of £75,000/decrease of £74,000). The effect on equity as a result of the above interest rate fluctuations would also be an increase of £36,000/decrease of £30,000 (30 June 2019: increase of £75,000/decrease of £74,000).

Equity Price risk
The Group is exposed to equity price risks arising from its listed equity investments. Information on the Group's equity investments is included in note 19.

Equity price sensitivity analysis
The sensitivity analysis below has been determined based on the exposure to equity price risks at 30 June 2020.

If equity prices had been 10% higher, the Group's loss for the year ended 30 June 2020 would have decreased by £0.03 million (30 June 2019: £0.03 million)

If equity prices had been 10% lower, the Group's loss for the year ended 30 June 2020 would have increased by £0.03 million (30 June 2019: £0.03 million)

Foreign exchange risk
The Group's exposure to foreign currency risk arises from its financial instruments denominated in currencies other than its functional currency, principally Australian Dollar and British Pound Sterling. A reasonably possible increase/decrease of 10% in Australian Dollar and British Pound Sterling against the functional currency of New Zealand Dollar would have resulted in a £0.5 million decrease/increase to profit or loss in the Consolidated Statement of Comprehensive Income for the year (30 June 2019: £0.5 million). The effect on equity would be an £5.1 million decrease/increase as a result of the above foreign exchange rate fluctuations (30 June 2019: £5.6 million).

31. Contingent liabilities and commitments

Torchlight Fund LP and its subsidiaries

The Group had the following commitments within the RCL Group:

	2020 £000	2019 £000
Contracted work to complete		
Expenditure contracted for at the reporting date but not recognised as liabilities		
Within one year	3,554	5,239

Torchlight Fund LP and its subsidiaries – Contingent assets

The Group has financial guarantees in respect of completion of development works and maintenance bonds to relevant authorities. The value of these guarantees at 30 June 2020 was £0.6 million (30 June 2019: £2.0 million).

32. TFLP winding up petition

A winding up petition was filed by certain Limited Partners of TFLP with the Grand Court of The Cayman Islands and served at the registered office of TFLP on 26 June 2015. The petition sought an order to wind up TFLP. Hearings for this petition commenced on 20 February 2017 and concluded on 1 December 2017.

A winding up petition was filed by certain Limited Partners of TFLP with the Grand Court of The Cayman Islands and served at the registered office of TFLP on 26 June 2015. The petition sought an order to wind up TFLP. Hearings for this petition commenced on 20 February 2017 and concluded on 1 December 2017.

In July 2018, a confidential settlement was reached in respect of the Petition and the Conspiracy Proceedings. Following this settlement:

1) the Petition was withdrawn with no order as to costs;
2) the injunction dated 22 January 2016 referred to above was discharged with no order as to costs;
3) the General Partner discontinued the Conspiracy Proceedings against five of the defendants to the Conspiracy Proceedings with no order as to costs;
4) appeals regarding the challenges to jurisdiction were withdrawn; and
5) the General Partner is still pursuing the Conspiracy Proceedings against the four remaining defendants. Each of these defendants has now filed defences to the Conspiracy Proceedings.

As part of this settlement, the Petitioners agreed to the redemption of their limited partnership interests for a fixed redemption payment by TFLP of AUD25.5 million (£14.2 million), as a result of which PGC's direct limited partnership interests increased from 44.2% to 70.3%, without investing additional capital.

Subsequent to settlement of the Petition, on 16 July 2018 the Court directed that it would proceed to publish its judgment in those proceedings in any event. In its direction of 16 July, the Court explained that a key factor in its decision to publish was to make clear that Mr Kerr and Mr Naylor had been fully exonerated, noting in particular that:

"*Mr George Kerr and Mr Russell Naylor have been heavily criticised in the course of these proceedings and their professional standing has been consistently impugned. Not only are Mr. Kerr and Mr. Naylor entitled to know that they have been exonerated but the public is entitled to know it as well. This is a matter of human rights as much as it is a matter of commercial law, and in this context public access to justice is paramount.*"

The Court also directed that notwithstanding the submissions of the Petitioners, there was no reason for the judgment to be anonymised. The judgement was subsequently published in full on 25 September 2018.

In order to satisfy the redemption payment, the General Partner of TFLP is running a multi-track process to explore options which include a General Partner led restructure to sell the investment in RCL to a new partnership structure to allow RCL value optimisation to continue and the option to obtain development approvals and create bulk titles for sale of RCL land. This process is ongoing.

33. Segmental analysis

The Group has 3 reportable segments, as described below, which are the Group's strategic divisions.

The following summary describes the operations in each of the Group's reportable segments for the current year:

Torchlight Segment	Provider of investment management services and a proprietary investor (both directly and in funds it manages).
Property Group	Management of the Group's property assets.
Parent Company	Parent Company that holds investments in and advances to/from subsidiaries.

Information regarding the results of each reportable segment is shown below. Performance is measured based on segment profit/(loss) for the year, as included in the internal management reports that are reviewed by the Board, which is the Chief Operating Decision Maker ("CODM"). Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3.

(a) Group's reportable segments

	Continuing Operations				
2020	**Torchlight Segment**	**Property Group**	**Parent Company**	**Inter-segment eliminations**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
External revenue					
Interest revenue	663	-	68	-	**731**
Other revenue	1,245	-	-	-	**1,245**
Other income	298	10	-	-	**308**
Gross revenue from land development and resale	53,974	978	-	-	**54,952**
Cost of land development sales	(39,752)	(420)	-	-	**(40,172)**
Other investment gains	-	-	99	-	**99**
	16,428	**568**	**167**	-	**17,163**
Internal revenue					
Internal interest revenue/(expense)	1	-	(1)	-	-
Foreign exchange losses	185	1	27	-	**213**
Total segment revenue	**16,614**	**569**	**193**	-	**17,376**
Expenses					
Interest expense	(7,756)	(12)	-	-	**(7,768)**
Impairment	(536)	-	-	-	**(536)**
Other investment losses	(1,599)	-	-	-	**(1,599)**
Selling and administration expenses	(7,772)	(127)	(933)	-	**(8,832)**
Total operating expenses	**(17,663)**	**(139)**	**(933)**	-	**(18,735)**
Profit/(loss) before tax	**(1,049)**	**430**	**(740)**	-	**(1,359)**
Income tax charge	948	-	-	-	**948**
Profit/(loss) after tax	**(101)**	**430**	**(740)**	-	**(411)**
Non-controlling interests	298	-	-	-	**298**
Profit/(loss) for the year attributable to owners of the Company	**298**	**430**	**(740)**	-	**(113)**
Total assets	**157,708**	**2,765**	**69,973**	**(108,171)**	**122,275**
Total liabilities	**94,638**	**11,894**	**426**	**(38,631)**	**68,327**

33. Segmental analysis (continued)

(a) Group's reportable segments (continued)

	Continuing Operations				
2019	**Torchlight Segment**	**Property Group**	**Parent Company**	**Inter-segment eliminations**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
External revenue					
Interest revenue	214	-	228	**-**	**442**
Other revenue	1,688	10	-	**-**	**1,698**
Gross revenue from land development and resale	66,509	1,095	-	**-**	**67,604**
Cost of land development sales	(53,019)	(514)	-	**-**	**(53,533)**
Other investment loss	(1,708)	-	(41)	**-**	**(1,749)**
	13,684	**591**	**187**	**-**	**14,462**
Internal revenue					
Internal interest revenue/(expense)	20	-	(20)	**-**	**-**
Foreign exchange losses	(19)	(1)	(29)	**-**	**(49)**
Total segment revenue	**13,685**	**590**	**138**	**-**	**14,413**
Expenses					
Interest expense	(9,486)	(92)	-	**-**	**(9,578)**
Impairment reversal	(778)	-	-	**-**	**(778)**
Selling and administration expenses	(7,397)	(138)	(797)	**-**	**(8,332)**
Total operating expenses	**(17,661)**	**(230)**	**(797)**	**-**	**(18,688)**
(Loss)/profit before tax	**(3,976)**	**360**	**(659)**	**-**	**(4,275)**
Income tax charge	(347)	-	-	**-**	**(347)**
(Loss)/profit after tax	**(4,323)**	**360**	**(659)**	**-**	**(4,622)**
Non-controlling interests	1,232	-	-	**-**	**1,232**
(Loss)/profit for the year attributable to owners of the Company	**(3,091)**	**360**	**(659)**	**-**	**(3,390)**
Total assets	**164,277**	**3,488**	**72,678**	**(108,745)**	**131,698**
Total liabilities	**100,425**	**12,612**	**582**	**(38,193)**	**75,426**

33. Segmental analysis (continued)

(b) Geographical information

The Company is domiciled in Guernsey. The Group has subsidiaries incorporated in three principal geographic areas: New Zealand, Australia and the Cayman Islands.

The Group's revenue from external customers from continuing operations and information about its segment non-current assets by geographical location (of the country of incorporation of the entity earning revenue or holding the asset) are detailed below:

	Revenue from External Customers		Non-Current Assets	
	2020	2019	2020	2019
	£000	£000	£000	£000
New Zealand	9,653	819	18,111	15,285
Australia	7,315	13,563	76,035	51,196
Cayman Islands	195	80	5,107	5,255
	17,163	**14,462**	**99,252**	**71,736**

34. Events after the reporting date

The following significant events have taken place subsequent to the end of the reporting period to the date that these financial statements were authorised for issue:

- On 4 August 2020, the General Partner of Torchlight Fund LP determined to extend the life of Torchlight Fund LP for a further and final, year to 30 November 2021.

  RCL cashflow has been adversely impacted by Covid-19 disruption which has resulted in delays in completing works to enable settlement of pre-sold stock and the deferral in timing for new sales releases. This has negatively impacted the Group working capital profile and resulted in scheduled payments not being met with both the principal financier and the vendors of the Lovely Banks project.

  During November, the vendors of the Lovely Banks project have now issued a recission notice due to non-performance by RCL.

  In order to address the Covid-19 disruption which has negatively impacted cashflow RCL is in the process of arranging an increase in funding to provide an additional $10m in working capital which is expected to be adequate to support the operational requirements over the next 12 months.

  Subject to RCL successfully arranging the increased funding as is currently in RCL, RCL intends to engage with the vendors of the Lovely Banks project to seek to re-instate the contract on revised terms. There is no certainty that RCL will be able to achieve this outcome. If RCL is unsuccessful in this the deposit paid of AUD$2.34 million in respect of this project (included in other assets in the Consolidated Statement of Financial Position) will be lost and reflected as a loss in the year ending 30 June 2021.

  The milestone payment to the incumbent financier will be met from settlement of existing pre-sales in the short term. This is a timing variance and whilst creating a breach of the approved terms and conditions it is considered manageable. The financier is aware of the shift in timing and has taken no steps. Historically the Group has successfully managed timing variances in respect of milestones with the same financier without issue. In conjunction with the provision of the increased working capital funding, it is expected that all milestone payments will be reset. Whilst this is subject to documentation this position has been agreed in principle with the financier.

- The Covid-19 outbreak was declared a pandemic by the World Health Organization in March 2020. The outbreak and the response of Governments in dealing with the pandemic is interfering with general activity levels within the community, the economy and the operations of the Partnership. The scale and duration of these developments remain uncertain as at the date of this report.

  The Covid-19 pandemic is an ongoing situation and as such there is a degree of uncertainty involved when assessing the financial impact that the pandemic will ultimately cause and therefore considered a non-adjusted post balance sheet event. However, the General Partner has considered the likely impact when assessing the impact on the Partnership.

There were no other material events subsequent to 30 June 2020 to the date when these Consolidated Financial Statements were authorised for issue.

STATUTORY DISCLOSURES

The following persons respectively held office as Directors of the Company and the Company's subsidiaries during the year ended 30 June 2020:

Pyne Gould Corporation Ltd
G Kerr
R Naylor
N Kirkwood
M Smith
P Dudley

Torchlight Group
G Kerr
R Naylor

Torchlight GP Limited
G Kerr
R Naylor

Ferrero Investments Limited
R Naylor

MARAC Financial Services Limited
N Kirkwood

MARAC Investments Limited
N Kirkwood

Torchlight (GP) 2 Limited
G Kerr

Torchlight Management Limited
G Kerr

Torchlight Securities Limited
G Kerr

Henley Downs Village Investments Limited
N Kirkwood

Torchlight Real Estate Group
G Kerr
R Naylor

RCL Real Estate Holdings
R Naylor

RCL Real Estate Pty Ltd
R Naylor

RCL Queenstown Pty Ltd
R Naylor

RCL Sanctuary Lakes Pty Ltd
R Naylor

Sanctuary Land Development Pty Ltd
R Naylor

Real Estate Southern Holdings Limited
R Naylor
N Kirkwood

RCL Links Pty Ltd
R Naylor

RCL Grandvue Pty Ltd
R Naylor

RCL Haywards Bay Pty Ltd
R Naylor

RCL Port Stephens Pty Ltd
R Naylor

RCL Pacific Dunes Golf Operations Pty Ltd
R Naylor

RCL Forster Pty Ltd
R Naylor

RCL St Albans Pty Ltd (formerly Taree Pty Ltd)
R Naylor

RCL Merimbula Pty Ltd
R Naylor

RCL Renaissance Rise Pty Ltd
R Naylor

RCL Real Estate Australia Pty Ltd
R Naylor

RCL Sunbury Pty Ltd (formerly Rock Pty Ltd)
R Naylor

RCL Henley Downs Limited
R Naylor
N Kirkwood

RCL Jack’s Point Limited
R Naylor
N Kirkwood

NZ Real Estate Credit Limited
N Kirkwood

Jack’s Point Village Terraces Limited
R Naylor
N Kirkwood

RCL Real Estate Australia Pty Ltd
R Naylor

STATUTORY DISCLOSURES (CONTINUED)

Disclosure of interests
The following are disclosures of interest given by the Directors:

G Kerr
Director and shareholder
Australasian Equity Partners (GP) No.1 Limited.

Ownership of limited partnership interests in Australasian Equity Partners Fund No.1 LP.

General disclosure
All Directors have provided a general notice that they may from time to time undertake personal business transactions with the Company, including utilising the Company's services. All such transactions are carried out in accordance with the Company's normal business criteria for those types of transactions. The Group obtains consulting services from Naylor Partners Pty Ltd, of which R Naylor is a director and shareholder, from Cassone Limited, of which Noel Kirkwood is a director and shareholder, and legal services from Burton Partners. These services are provided on normal commercial terms.

Information used by Directors
No notices were received from Directors of the Company requesting to disclose or use Company information received in their capacity as directors which would not otherwise have been available to them.

Indemnification and insurance of Directors and Officers
The Company has given indemnities to Directors and has arranged insurance for Directors and officers of the Company and its subsidiaries.

These indemnify and insure Directors and officers against liability and costs for actions undertaken by them in the course of their duties. The cost of the insurance premiums to the Company and its subsidiaries for the year was £59,325 (30 June 2019: £54.337)

Details of individual Directors shareholdings are as follows:

	Beneficial	Associated Person
G Kerr		
Balance at 30 June 2019 and 30 June 2020	133,047,808	166,309,760
R Naylor		
Balance at 30 June 2019 and 30 June 2020	-	-
N Kirkwood		
Balance at 30 June 2019 and 30 June 2020	-	-
M Smith		
Balance at 30 June 2019 and 30 June 2020	-	-
P Dudley		
Balance at 30 June 2019 and 30 June 2020	-	-

Remuneration of Directors

The total remuneration received by each Director who held office in the Company and its subsidiary companies during the year ended 30 June 2020 was as follows:

Parent Company Directors			Remuneration
G Kerr*	Executive	Non-Independent	-
R Naylor*	Executive	Non-Independent	-
N Kirkwood*	Executive	Non-Independent	-
M Smith	Non-Executive	Independent	£60,000
P Dudley	Non-Executive	Independent	£60,000

**Executive Directors do not receive Directors' fees.*

STATUTORY DISCLOSURES (CONTINUED)

Gender composition of Board

Gender	30 June 2020 Number of Directors	30 June 2019 Number of Directors
Male	4	4
Female	1	1

SHAREHOLDER INFORMATION

Executive employees' remuneration

No employees of the Company and its subsidiary companies, who received remuneration, including non-cash benefits, have received in excess of NZD100,000 for the year ended 30 June 2020.

Donations

During the financial year ended 30 June 2020, the Company made no donations.

Substantial security holders

At 30 June 2020 only two shareholders held more than 5.00% of the issued capital of the Company. Lynchwood Nominees Limited held 133,047,808 shares (30 June 2019: 166,309,760 shares) which represents 65.71% (30 June 2019: 80.16%) of the issued capital and Baker Street Capital LP held 33,261,952 shares (30 June 2019: 10,553,406 shares) which represents 16.43% (30 June 2019: 5.09%) of the issued capital.

DIRECTORY

DIRECTORS
George Kerr
Russell Naylor
Noel Kirkwood
Michelle Smith
Paul Dudley

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